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Accountants' certificates and financial statements for 1941: A Statistical survey of 500 published annual reports to stockholders, with selected reproductions;

Haskins & Sells

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Carman G. Blough

ACCOUNTANTS' CERTIFICATES AND FINANCIAL STATEMENTS FOR 1941

A STATISTICAL SURVEY OF 500 PUBLISHED ANNUAL REPORTS TO STOCKHOLDERS, WITH SELECTED REPRODUCTIONS

No. 137

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AND
FINANCIAL STATEMENTS
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Analysis of RESERVES AND PROVISIONS FOR LOSSES related to WAR AND POST-WAR CONDITIONS, as shown in financial statements, will be found on pages 18, 19 and 20.

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INTRODUCTION

The corporations whose reports were examined were selected generally as being the representative concerns in their respective industries, and 95% had securities registered on national securities exchanges. These corporations were classified according to industries, and the complete industry classification is given below, showing the number of corporations in each group.

All of the reports comprised in this survey, and many others, are on file at the Executive Office, and are available for reference. The Research File of published reports is arranged according to industries, and any information contained in the reports, which may be desired by the practice offices, can be furnished upon request. Reference to the original reports with respect to any of the details presented herein is readily available by means of the code employed in making the analysis.

ACCOUNTING FIRMS REPRESENTED

The number of reports containing the certificates of each of the leading firms of accountants is shown in the following:

	No. of Reports
Haskins & Sells	108
Price, Waterhouse & Co.	91
Lybrand, Ross Bros. & Montgomery	50
Ernst & Ernst	43
Arthur Andersen & Co.	39
Peat, Marwick, Mitchell & Co.	28
Arthur Young & Co.	26
Touche, Niven & Co.	16
Barrow, Wade, Guthrie & Co.	16
Deloitte, Plender, Griffiths & Co.	10
35 other firms	73
Total	500

STUDY OF ACCOUNTANTS' CERTIFICATES

The accountants' certificates presented in the published annual reports of 500 corporations for 1941 have been analyzed, together with those in the reports of the same corporations (except for a few appropriate substitutions) for the eight preceding years, for the purpose of showing, in a statistical manner, variations and tendencies in form and wording for each of the nine years.

The form of certificate adopted by the American Institute of Accountants on September 19, 1939, plus an additional sentence at the end of the first paragraph (suggested by the Committee on Auditing Procedure, American Institute of Accountants, Release No. 5, February 1941) was used as the standard in compiling the statistical information shown herein. This standard (reproduced below) was separated into selected phrases and each certificate examined was coded in a manner to show whether the phrases in such certificate were (1) literally the same and in the same placement order as in the standard form; (2) whether essentially (if not literally) the same as the standard, or (3) whether no such phrase or expression was contained therein.

In the following reproduction of the form of certificate adopted in September 1939 by the Institute and the new, additional sentence suggested in February 1941, the phrases selected for use in making analytical comparisons are underscored and blocked:

SHORT FORM OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT'S REPORT OR OPINION

To the Board of Directors
(or Stockholders) of the XYZ Company:

We have examined the balance-sheet of the XYZ Company as of April 30, 1939, and the statements of income and surplus for the fiscal year then ended, have reviewed the system of internal control/and the accounting procedures of the company/and, without making a detailed audit of the transactions,/have examined or tested accounting records of the company/ and other supporting evidence,/by methods and to the extent we deemed appropriate./ * Our examination was made in accordance with generally accepted auditing standards/applicable in the circumstances/and included all procedures which we considered necessary./

In our opinion,/the accompanying balance-sheet and related statements of income and surplus present fairly the position/of the XYZ Company at April 30, 1939, and the results of its operations for the fiscal year,/in conformity with generally accepted accounting principles/applied on a basis consistent with that of the preceding year./

* Additional sentence suggested by the Committee on Auditing Procedure, American Institute of Accountants' Release No. 5, February, 1941.

For reference purposes, a number of the certificates reviewed have been reproduced photographically, and are presented herein. These certificates, selected as having interesting features, have been arranged according to industries, and have been indexed both by class of industry and alphabetically, by companies, irrespective of industry.

As a matter of historical interest, there is reproduced below the standard form of certificate recommended in January, 1934 by the American Institute of Accountants:

REVISED SUGGESTION OF A FORM OF ACCOUNTANTS' REPORT

To the XYZ Company:

We have made an examination of the balance-sheet of the XYZ Company as at December 31, 1933, and of the statement of income and surplus for the year 1933. In connection therewith, we examined or tested accounting records of the Company and other supporting evidence and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying balance-sheet and related statement of income and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the Company during the year under review, its position at December 31, 1933, and the results of its operations for the year.

NOTES

1. It is contemplated that before signing a report of the type suggested, the accountant should have at least made an examination of the character outlined in the bulletin, "Verification of Financial Statements", as interpreted in the communication of the Committee on Stock List to the Governing Committee dated October 24, 1933.
2. The report should be addressed to the directors of the company or to the stockholders, if the appointment is made by them.
3. The statement of what has been examined would, of course, conform to the titles of the accounts or statements reported upon.
4. In the second sentence, any special forms of confirmation could be mentioned; e.g., "including confirmation of cash and securities by inspection or certificates from depositaries."
5. This certificate is appropriate only if the accounting for the year is consistent in basis with that for the preceding year. If there has been any material change either in accounting principles or in the manner of their application, the nature of the change should be indicated.
6. It is contemplated that the form of report would be modified when and as necessary to embody any qualifications, reservations or supplementary explanations.

STATISTICAL ANALYSIS

of

ACCOUNTANTS' CERTIFICATES

STATISTICAL ANALYSIS OF ACCOUNTANTS' CERTIFICATES

The following tabulations give the detailed result of this study of 500 accountants' certificates for 1941, together with the corresponding analysis for the preceding eight years, where available.

a - TITLE OF THE CERTIFICATE

	1941	1940	1939	1938	1937	1936	1935	1934	1933
"Accountants' Certificate"	102	98	91	89	95	94	92	87	3
"Auditors' Certificate"	16	18	18	23	26	27	31	32	33
Other titles which include the word "Certificate"	14	18	18	23	22	28	31	39	64
"Accountants' Report"	51	45	42	41	33	33	35	26	73
"Auditors' Report"	27	26	24	24	14	13	15	14	8
Other titles which include the word "Report"	36	26	30	29	22	22	19	13	10
Other titles which do not include the words "Certificate" or "Report"	7	7	4	1	1	1	1	1	1
No title used	247	262	273	270	287	282	276	288	308
	500	500	500	500	500	500	500	500	500

b - TO WHOM ADDRESSED

	1941	1940	1939	1938	1937	1936	1935	1934	1933
"The XYC Company"	118	116	124	188	194	191	190	185	185
"The Board of Directors"	226	234	243	200	193	190	188	184	166
"Stockholders"	80	77	68	32	30	28	28	31	33
"President and Board of Directors"	10	10	15	24	25	29	30	32	33
"Directors" or "Trustees"	6	12	10	17	16	21	24	24	22
President or Chairman (by name)	1	1	3	10	11	11	11	9	17
"Shareholders"	6	6	7	4	5	5	5	5	3
"President and Directors"	1	0	0	3	5	3	3	3	3
"Chairman and Board of Directors"	2	3	3	3	5	3	2	2	2
"Board of Directors and Stockholders"	37	32	16	4	3	5	2	4	3
Other forms	7	3	4	4	1	2	3	3	2
No address	6	6	7	11	12	12	14	18	31
	500	500	500	500	500	500	500	500	500

c - "HAVE REVIEWED THE SYSTEM OF INTERNAL CONTROL - - "

	1941	1940	1939	1938	1937	1936	1935	1934	1933
As above, literally, in the same placement order as in the standard form	334	421	438	0	0	0	0	0	0
As above with sundry variations or not in same placement order as in the standard form	146	58	24	83	70	88	82	68	1
No such expression used	20	21	38	417	430	412	418	432	499
	500	500	500	500	500	500	500	500	500

d - "AND THE ACCOUNTING PROCEDURES OF THE COMPANY - - "

	1941	1940	1939	1938	1937	1936	1935	1934	1933
As above, literally, and in the same placement order as in the standard form	366	421	438	0	0	0	0	0	0
As above with sundry variations or not in the same order as in the standard form	115	66	41	455	450	456	449	428	280
No such expression used	19	13	21	45	50	44	51	72	220
	500	500	500	500	500	500	500	500	500

e - "AND, WITHOUT MAKING A DETAILED AUDIT OF THE TRANSACTIONS - - "

	1941	1940	1939	1938	1937	1936	1935	1934	1933
As above, literally, in the same placement order as in the standard form	362	304	310	0	0	0	0	0	0
As above with sundry variations or not in the same placement order as in the standard form	13	80	71	395	395	388	379	420	282
No such expression used	125	116	119	105	105	112	121	80	218
	500	500	500	500	500	500	500	500	500

f - "HAVE EXAMINED OR TESTED ACCOUNTING RECORDS OF THE COMPANY - - "

	1941	1940	1939	1938	1937	1936	1935	1934	1933
As above, literally, and in the same placement order as in the standard form	356	434	450	0	0	0	0	0	0
As above with sundry variations or not in the same placement order as in the standard form	139	62	46	492	487	485	470	457	322
No such expression used	5	4	4	8	13	15	30	43	178
	500	500	500	500	500	500	500	500	500

g - "AND OTHER SUPPORTING EVIDENCE, - - "

	1941	1940	1939	1938	1937	1936	1935	1934	1933
As above, literally, in the same placement order as in the standard form	388	434	450	0	0	0	0	0	0
As above with sundry variation or not in the same placement order as in the standard form	104	58	38	470	476	476	459	439	295
No such expression used	8	8	12	30	24	24	41	61	205
	500	500	500	500	500	500	500	500	500

h - "BY METHODS AND TO THE EXTENT WE DEEMED APPROPRIATE."

	1941	1940	1939	1938	1937	1936	1935	1934	1933
As above, literally, and in the same placement order as in the standard form	359	434	450	0	0	0	0	0	0
As above with sundry variations or not in the same placement order as in the standard form	123	58	13	78	67	80	82	68	1
No such expression used	18	8	37	422	433	420	418	432	499
	500	500	500	500	500	500	500	500	500

i - "OUR EXAMINATION WAS MADE IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS" (Beginning of new, additional, sentence suggested by the Committee on Auditing Procedure, American Institute of Accountants, in Release No. 5, February, 1941)

	1941	1940	1939	1938	1937	1936	1935	1934	1933
As above, literally, in the same placement order as in the suggested form	457	50	0	0	0	0	0	0	0
As above with sundry variations or not in the same placement order as in the suggested form	11	0	0	0	0	0	0	0	0
No such expression used	32	450	500	500	500	500	500	500	500
	500	500	500	500	500	500	500	500	500

j - "APPLICABLE IN THE CIRCUMSTANCES -- " (part of the new, additional, sentence suggested by the Committee)

	1941	1940	1939	1938	1937	1936	1935	1934	1933
As above, literally, in the same placement order as in the suggested form	466	50	0	0	0	0	0	0	0
As above with sundry variations or not in the same placement order as in the suggested form	3	0	0	0	0	0	0	0	0
No such expression used	31	450	500	500	500	500	500	500	500
	500	500	500	500	500	500	500	500	500

k - "AND INCLUDED ALL PROCEDURES WHICH WE CONSIDERED NECESSARY". (End of new additional sentence suggested by the Committee.)

	1941	1940	1939	1938	1937	1936	1935	1934	1933
As above, literally, in the same placement order as in the suggested form	362	50	0	0	0	0	0	0	0
As above with sundry variations or not in the same placement order as in the suggested form	106	0	0	0	0	0	0	0	0
No such expression used	32	450	500	500	500	500	500	500	500
	500	500	500	500	500	500	500	500	500

l - "IN OUR OPINION - - " (Beginning of concluding paragraph of the standard form)

	1941	1940	1939	1938	1937	1936	1935	1934	1933
As above, literally, in the same placement order as in the standard form	477	470	469	465	471	457	442	423	496
As above with variations or not in the same placement order as in the standard form	23	30	29	35	29	43	57	76	0
No such expression used	0	0	2	0	0	0	1	1	4
	500	500	500	500	500	500	500	500	500

m - "PRESENT FAIRLY THE POSITION - - "

	1941	1940	1939	1938	1937	1936	1935	1934	1933
As above, literally, in the same placement order as in the standard form	363	334	322	4	0	3	2	2	0
As above with variations or not in the same placement order as in the standard form	137	166	176	496	500	496	498	497	495
No such expression used	0	0	2	0	0	1	0	1	5
	500	500	500	500	500	500	500	500	500

n - "AND THE RESULTS OF ITS OPERATIONS FOR THE FISCAL YEAR, - - "

	1941
As above, literally, in the same placement order as in the standard form	247
As above with variations or not in the same placement order as in the standard form	253
No such expression used	-
	500

Not analyzed prior to 1941.

o - "IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES - "

	1941	1940	1939	1938	1937	1936	1935	1934	1933
As above, literally, in the same placement order as in the standard form	383	317	319	0	0	0	0	0	0
As above with variations or not in the same placement order as in the standard form	112	180	177	490	485	481	463	439	333
No such expression used	5	3	4	10	15	19	37	61	167
	500	500	500	500	500	500	500	500	500

p - "APPLIED ON A BASIS CONSISTENT WITH THAT OF THE PRECEDING YEAR."

	1941	1940	1939	1938	1937	1936	1935	1934	1933
As above, literally, in the same placement order as in the standard form	446	402	407	0	0	0	0	0	0
As above with variations or not in the same placement order as in the standard form	45	60	48	22	33	34	40	43	8
Consistently maintained "during the year under review" (no reference to preceding year)	2	8	7	316	323	317	288	255	190
No such expression used	7	30	38	162	144	149	172	202	302
	500	500	500	500	500	500	500	500	500

q - EXPRESSIONS USED WHICH ARE NOT FOUND IN THE STANDARD FORM OF CERTIFICATE:

	1941	1940	1939	1938	1937	1936	1935	1934	1933
"In connection therewith - - - " (or similar)	76	8	38	477	482	477	463	446	302
"and obtained information and explanations from officers and employees of the company" (or similar)	4	4	12	388	387	388	374	362	237
"Based upon such examination- - - " (or similar)	15	53	79	489	491	490	480	472	394
"We certify"(or "hereby certify")	4	3	6	7	5	9	15	20	81
"and (the financial statements) are are in agreement with the books" (or similar)	1	1	0	0	1	4	4	5	-

	1941	
r - Certificates which, in addition to containing a statement to the effect that the examination was made by methods and to the extent deemed necessary, record in some detail the methods employed in the verification of several balance-sheet items, such as cash, accounts receivable, inventories, investments, notes payable, etc.	101	Not analyzed prior to 1941.

u - QUALIFICATIONS AND EXPLANATIONS

(a) Relating to depreciation or retirements:

	1941	1940	1939	1938	1937	1936	1935	1934
Rates consistent with those of preceding year, or in accordance with company's established practice, or similar reference	7	4	10	31	25	24	36	29
Accepting (or subject to the acceptance (or adequacy) of) the company's provisions for retirements (or depreciation) (as to which we are not in a position to express an opinion), or similar reference	31	42	46	44	35	24	18	22
Provision for retirements (and replacements), in lieu of depreciation	4	7	6	14	13	32	30	22
Provision "adequate", or "reasonable", or "fair and reasonable" or "generally satisfactory"	2	5	11	16	10	11	10	15
Long explanation of retirement or depreciation situation	9	1	12	5	5	5	11	14
Provision based on production	4	7	6	8	8	9	11	13
Depreciation referred to without comment	4	6	5	7	4	4	3	6
Rates reduced	3	7	5	12	6	4	8	6
Property written down, and depreciation based upon reduced values	0	3	4	2	2	1	2	4
Forward	64	82	105	139	108	114	129	131

u - QUALIFICATIONS AND EXPLANATIONS (Continued)

(a) Relating to depreciation or retirements (Continued):

	1941	1940	1939	1938	1937	1936	1935	1934
Forward	64	82	105	139	108	114	129	131
Rates prescribed by state bodies, or I. C. C.	4	0	2	3	7	5	6	8
Rates as allowed for (or adjusted to conform with) Federal tax purposes, (or similar)	2	3	3	15	8	14	10	5
Rates or valuations increased	1	5	9	6	3	4	4	1
Various other references	17	49	26	14	7	5	4	4
Substantial adjustments are necessary to reflect an adequate reserve for depreciation	1	0	0	0	1	0	0	0
"Company does not make provision for depreciation"	1	0	0	0	0	0	1	1
No reference to depreciation or retirements	422	402	383	358	381	380	362	360
(Some had more than one reference)	512	541	528	535	515	522	516	510

(b) Relating to inventories:

	1941	1940	1939	1938	1937	1936	1935	1934
Reference to extent of verification	65	98	118	103	41	85	81	70
Certified by officials	3	6	11	33	60	60	53	52
Reference to company's method of taking inventories	17	12	9	32	26	30	33	23
Valued at the lower of cost or market	7	22	28	46	34	43	49	45
Valued ~~at cost~~	6	5	8	18	11	13	15	9
Reference to inter-company profits	2	6	4	7	5	3	8	8
Reference to unusual methods of valuing	17	5	15	19	11	4	0	0
Various other references	13	17	7	0	1	2	0	2
No reference to inventories	396	386	363	359	389	387	385	382
(Some had more than one reference)	526	557	563	617	578	627	624	591

u - QUALIFICATIONS AND EXPLANATIONS (Continued)

	1941	1940	1939	1938	1937	1936	1935	1934
(c) Relating to various matters other than depreciation, retirements or inventories:								
Reference to receivables	39	71	76	57	30	43	50	47
Reference to investments	38	48	44	52	47	42	58	60
Reference to foreign exchange	9	13	17	23	18	30	33	37
Reference to contingent liabilities	6	11	14	27	15	35	39	32
Confirmation of cash and securities	19	21	23	31	20	32	32	39
Confirmation of cash	5	12	5	13	6	7	8	13
Confirmation of securities	8	6	4	9	7	6	4	4
Reference to examinations for preceding years	21	15	14	27	17	30	23	28
Statement that the accountants prepared the financial statements	0	0	0	0	0	0	3	7
Reference to Federal taxes	12	15	14	26	23	30	21	5
Reference to minutes of stockholders' and directors' meetings	1	0	3	11	5	4	4	3
Reference to portion of Federal income taxes credited to surplus because of unusual deductible write-off chargeable to surplus	1	0	0	0	0	0	0	0
Reference to various other matters	53	61	71	106	103	90	121	171
Reference to valuation of fixed assets	17	32	36	34	25	27	35	0
(Some had more than one reference)	229	305	321	416	316	376	431	446

	1941	1940	1939	1938	1937	1936	1935	1934
(d) Various general qualifications relating to matters other than those included in Sections u (a), (b), and (c):								
Reference to foot-notes (variously described as foot-notes, notations, notes, explanations, explanatory notes, relative explanations, comments) such as "With the foot-notes thereon", "Together with the foot-notes thereon", "Subject to the foot-notes thereon", etc. (Forward)	121	128	99	127	118	146	148	130

u - QUALIFICATIONS AND EXPLANATIONS (Continued)

(d) Various general qualifications relating to matters other than those included in Sections u (a), (b), and (c) (Continued):	1941	1940	1939	1938	1937	1936	1935	1934
Forward	121	128	99	127	118	146	148	130
Comments and explanations made in text of report to stockholders incorporated, by reference, in accountants' opinion" paragraph	20	21	28	29	9	8	9	7
Reference to comparative statements or figures of prior period	4	5	4	7	3	2	11	9
"Accepting the basis of valuation of stock dividends"	1	1	1	1	1	1	1	1
"Except as stated (or referred to) in (a) preceding paragraph(s)"	54	32	5	0	0	0	0	0
Reference to various other items	2	6	14	5	13	3	6	18
(Some had more than one item)	202	193	151	169	144	160	175	165

v - REFERENCE TO SUBSIDIARIES

	1941	1940	1939	1938	1937	1936	1935	1934
Reference to subsidiaries or branches whose accounts were consolidated but not examined	19	11	11	20	11	17	31	19
Reference to subsidiaries whose accounts were examined by other accountants	55	56	79	81	74	82	89	82
Reference to subsidiaries or branches whose accounts were examined, or included in the consolidation, as of dates other than that of consolidated statements	13	11	16	25	14	25	28	12
Various other references indicating inclusion of subsidiaries in the examination	329	379	372	401	368	386	395	399
Apparently no subsidiaries	112	106	110	99	97	101	90	92
(Some had more than one item)	528	563	588	626	564	611	633	604

w - PLACE AND DATE ON CERTIFICATES

	1941
Both place and date shown	469
Place only shown	0
Date only shown	23
No place or date shown	8
	500

S T U D Y

o f

FINANCIAL STATEMENTS

STUDY OF FINANCIAL STATEMENTS

For the purpose of showing, statistically, the many variations in the form and manner in which the more important items are stated in the balance sheets and income statements, a study was made of the financial statements presented in the published reports of 500 corporations for the years 1933 through 1941. The tabulated results of this study, presented in comparative form in the following pages, indicate also the changes which have developed during the nine years covered, and to some degree the influence, on the financial statements in published reports to stockholders for 1935 through 1941, of the requirements of Form 10-K, the annual report required by the Securities and Exchange Commission from all corporations having securities registered on a national securities exchange. Most of the items embraced in the study were considered in the light of the instructions as to financial statements in Form 10-K, but these instructions were not the sole guide, and the study was broader in scope than one confined to a consideration of the Form 10-K instructions alone.

The subjects covered in the study of financial statements are shown in the table of contents, pages ii, iii, and iv.

The reports reviewed in making this study are the same as those reviewed in the study of accountants' certificates. For reference purposes, 48 of the balance sheets and income statements have been reproduced herein, and will be found with the certificates relating thereto.

The detail tabulation of the results of the study of financial statements is presented in the following pages.

SPECIAL STUDY OF RESERVES AND PROVISIONS FOR LOSSES RELATED TO WAR AND POST-WAR CONDITIONS

As of particular importance at this time a special study was made of reserves appearing in balance sheets, and provisions shown in income and surplus statements, for losses and adjustments which might arise from war and post-war conditions.

This study covered the 400 manufacturing and industrial corporations comprised in the regular analysis of reports for 1941, eliminating certain industry groups, viz.: Finance, Investment Trusts, Utilities, Transportation, etc. The classification of the industries considered, and the number of items found in each industry group, are shown below.

The purposes of the reserves and provisions were determined from the captions used in the statements, or from foot-notes or comments in the presidents' letters.

A summary of this study shows that, of the 400 corporations whose reports were analyzed, 178 had 227 reserves, and 188 had 259 income and surplus charges.

The statistical results of this special study are given in the pages immediately following.

RESERVES AND PROVISIONS FOR LOSSES RELATED TO WAR AND POST-WAR CONDITIONS

INDUSTRY CLASSIFICATION

	Number of Companies	Number showing Reserves in Balance Sheet	Number showing Charges to Income or Surplus
Agricultural Implements	6	4	4
Amusements and Amusement Supplies	13	6	6
Automotive and related	28	14	17
Aviation and related	10	5	6
Beverages and related	10	1	1
Building Materials	22	6	5
Chemicals and related	30	17	17
Coal	11	0	0
Electrical Equipment	11	9	10
Foods and related	39	9	8
Glass and Glassware	6	2	2
Household Products, Furniture, etc.	15	8	10
Leather and Leather Products	7	4	5
Machinery, Tools and Hardware	23	15	16
Mining, Metals and related	17	10	11
Office Equipment	8	7	7
Oil and related	21	6	8
Paper, Printing and related	21	10	11
Railway Equipment	13	7	8
Retail Trade	25	9	9
Rubber and Rubber Products	5	4	4
Steel, Iron and related	20	15	15
Textiles and related	22	10	8
Tobacco and Tobacco Products	13	0	0
Unclassified	4	0	0
Totals	400	178	188

RESERVES AND PROVISIONS FOR LOSSES
RELATED TO WAR AND POST-WAR CONDITIONS

Specified Purpose of Reserve, as indicated in captions, foot-notes, or presidents' letters	Reserve shown in Balance Sheet	Provision Charged to Income	Provision Charged to Surplus
Contingencies, arising from war or post-war condition	43	42	2
Contingencies, inferentially but not specifically connected with the war	52	42	2
Inventory losses due to price declines, unusual costs, obsolescence, or changes from pre-war production schedules	47	49	3
Losses on foreign investments	34	30	13
Investments (or assets) in enemy or enemy-occupied countries charged to reserves previously created	0	0	6
Amortization of war facilities	37	49	0
Post-war rehabilitation, adjustments, etc.	13	14	1
Guaranteed bank loan of foreign subsidiary	1	1	0
Possible increases in uncollectible accounts	0	1	0
Settlements with customers on obsolete products	0	1	0
Idle plant expense in event of dislocation of operations	0	1	0
Cost of changes in personnel due to military service	0	2	0
Totals	227	232	27

STATISTICAL ANALYSIS OF FINANCIAL STATEMENTS

The following tabulations give the detailed result of this study of the form of the financial statements in the published reports to stockholders of 500 corporations, and the comparison with previous years where available.

A-1 - STATE OF INCORPORATION (refers to parent company if statements are consolidated) - HOW SHOWN

	1941
In heading of balance sheet	150
In heading of income (or income and surplus) statement, only	0
In the certificate, only	40
Not shown	310
	500

A-2 - CENTS OMITTED OR SHOWN IN FINANCIAL STATEMENTS

	1941
Cents omitted in all statements	68
Cents omitted in balance sheet, only	0
Cents omitted in income statement, only	4
Cents shown in all statements	428
	500

A-3 - COMPARATIVE STATEMENTS - WHETHER SHOWN

	1941	1940	1939	1938	1937	1936
Balance sheets and income statements	124	102	95	82	71	68
Income statements but not balance sheets	56	59	56	62	41	36
Balance sheets but not income statements	8	9	10	10	4	9
Separate comparative statements for several years	8	2	6	6	3	7
No comparative statement shown	304	328	333	340	381	380
	500	500	500	500	500	500

A-4 - PARENT COMPANY STATEMENTS PRESENTED IN ADDITION TO CONSOLIDATED STATEMENTS

	1941	1940	1939	1938	1937	1936	1935	1934
Consolidated statements only - no minority interest shown	256	248	234	234	246	242	214	204
Consolidated statements only - minority interest shown	82	90	102	107	104	109	132	147
	338	338	336	341	350	351	346	351
Parent company statements also - minority interest shown	29	35	36	40	32	36	40	36
Parent company statements also - no minority interest shown	14	11	12	9	13	8	9	9
Parent company balance sheet also - no minority interest shown	2	1	2	1	1	1	0	0
Parent company balance sheet also - minority interest shown	1	2	1	1	0	0	0	0
	46	49	51	51	46	45	49	45
Not consolidated statements	116	113	113	108	104	104	105	104
	500	500	500	500	500	500	500	500

A - PROPERTY - BASIS OF VALUATION.

	1941	1940	1939	1938	1937	1936	1935	1934	1933
At cost	223	243	213	202	163	160	173	149	122
Based on appraisals, with subsequent additions at cost	58	68	69	78	69	77	83	74	76
At acquisition values, with subsequent additions at cost	22	25	19	22	17	17	33	31	14
At book values	22	28	32	33	24	27	23	31	50
At values (or amounts) as revised (or determined, or authorized) by the management (or officials, or board of directors, or the company) with subsequent additions at cost	24	32	33	28	30	24	19	15	15
Stated on various bases	30	36	22	26	42	40	12	15	4
At cost, less reserves, net	11	16	8	17	15	11	8	11	9
At depreciated book values, net	4	3	5	9	7	9	7	9	9
At or below cost	16	11	9	10	11	5	3	5	3
As adjusted - at a prior date - plus subsequent additions at cost	19	7	10	8	11	5	4	4	4
At appraised sound values, net	4	0	4	5	1	2	2	2	1
On basis of cost or appraisal value, less special write-down	5	2	6	16	8	6	2	2	2
At nominal value	2	5	3	5	0	0	3	2	3
Forward	440	476	433	459	398	383	372	350	312

A - PROPERTY - BASIS OF VALUATION (Continued)

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Forward	440	476	433	459	398	383	372	350	312
At assessed valuation	1	1	1	1	1	0	0	0	0
At value above cost, no reason given	0	0	0	0	0	0	1	1	1
At values established for Federal tax purposes	2	6	2	1	0	0	0	1	1
At (estimated) realizable value	2	13	11	0	0	0	0	0	0
	445	496	447	461	399	383	373	352	314
Property shown, but no basis of valuation indicated	85	90	108	101	115	119	114	119	157
No property shown (25 being investment trusts and finance companies)	25	26	27	20	21	22	29	29	29
(Some had more than one item)	555	612	582	582	535	524	516	500	500

65,8

B - RESERVES FOR DEPRECIATION OR RETIREMENTS - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Reserve shown, deducted on asset side	396	390	387	384	376	371	365	359	348
Reserve shown on liability side (58 being utilities)	69	71	73	78	86	89	80	86	96
Reserve indicated, but amount not shown, as asset is stated net	16	22	12	26	23	23	26	26	27
	481	483	472	488	485	483	471	471	471
None shown, certificate states no balance in reserve	0	0	2	0	0	0	0	0	0
None shown, because of no property asset	25	26	27	20	21	22	29	29	29
(Some had more than one item)	506	509	501	508	506	505	500	500	500

C - MARKETABLE SECURITIES - BASIS OF VALUATION

	1941	1940	1939	1938	1937	1936	1935	1934	1933
At cost, market value stated	97	91	95	118	108	143	173	182	125
At market value (or market quotation)	17	21	26	23	30	23	29	46	58
At cost, market value not stated	26	17	23	18	12	22	15	16	28
At cost or less, market value stated	10	8	8	10	19	6	3	0	0
Forward	150	137	152	169	169	194	220	244	211

C - MARKETABLE SECURITIES - BASIS OF VALUATION (Continued)

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Forward	150	137	152	169	169	194	220	244	211
At cost or less, market value not stated	5	2	1	0	1	1	2	1	1
At cost or market, whichever lower, market value not stated	8	16	14	16	17	17	20	16	24
At cost or market, whichever lower, market value stated	11	14	12	13	13	16	13	13	5
At cost less reserve, market value stated	19	13	17	16	15	11	15	13	11
At cost less reserve, market value not stated	5	5	8	4	3	3	2	2	2
At cost, which is less than market	4	2	3	3	4	10	4	4	2
At par value, market value stated	1	3	4	4	5	11	10	4	5
At par value, market value not stated	0	1	2	1	3	2	6	2	5
At book value, market value stated	15	5	4	21	6	4	5	3	7
At book value, market value not stated	3	3	0	2	0	6	0	1	2
At or under market	2	1	1	1	0	0	1	4	5
At approximate market	3	4	2	6	0	1	2	2	3
At cost and approximate market value	2	0	2	3	1	1	1	2	1
At approximate market value, which is below cost	1	0	1	0	3	0	1	1	2
At quoted market value, not in excess of cost	4	2	2	3	8	2	1	1	3
At the lower of par or market	0	1	1	0	1	0	1	1	1
At aggregate quoted market value which is less than aggregate cost	3	2	4	0	0	0	0	0	0
Basis explained in long note	4	2	2	4	0	2	0	0	0
	240	213	232	266	249	281	304	314	290
No basis of valuation indicated	28	47	49	27	18	21	6	12	33
No marketable securities shown	240	252	233	224	243	213	190	174	177
(Some had more than one item)	508	512	514	517	510	515	500	500	500

Cx - FEDERAL TAX ANTICIPATION NOTES - HOW SHOWN

	1941
As a current asset	111
As a deduction from tax liability	56
Part deducted from tax liability and part shown as current asset	1
Included with "Special Funds" (not current)	1
None shown	331
	500

D - INVESTMENTS, OTHER - BASIS OF VALUATION

	1941	1940	1939	1938	1937	1936	1935	1934	1933
At cost	71	78	84	89	71	101	97	95	87
At cost less reserve	62	55	56	59	49	88	101	98	66
At cost or less	57	58	60	61	57	57	39	31	14
At book value	14	14	19	23	23	20	12	10	18
At appraised (or estimated) value	12	9	11	14	13	15	10	7	5
At nominal value	15	17	25	21	16	3	0	0	0
Various	16	40	14	9	23	4	0	5	3
	247	271	269	276	252	288	259	246	193
Shown, but no basis of valuation indicated	152	156	161	167	164	130	127	128	160
No miscellaneous investments shown	123	119	117	98	115	105	114	126	147
(Some had more than one item)	522	546	547	541	531	523	500	500	500

E - INVESTMENTS IN AND ADVANCES TO SUBSIDIARY AND AFFILIATED COMPANIES NOT CONSOLIDATED - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934
Investments and advances combined in one item	90	83	65	83	72	79	68	68
Investments and advances shown separately	57	68	65	56	67	59	58	47
Investments only - no advances shown	105	107	115	108	101	113	131	138
Investments in and advances to affiliates combined with other items	6	6	3	6	5	2	8	6
Investments in affiliates combined with other items	2	5	4	3	10	5	1	9
Advances only - no investments shown in affiliated or subsidiary companies	2	3	4	3	3	8	7	7
	262	272	256	259	258	266	273	275
No such investments or advances shown	247	238	249	245	246	237	227	225
(Some had more than one item)	509	510	505	504	504	503	500	500

F - INVESTMENTS IN SUBSIDIARY AND AFFILIATED COMPANIES NOT CONSOLIDATED - BASIS OF VALUATION

	1941	1940	1939	1938	1937	1936	1935	1934	1933
At cost	80	77	79	77	70	82	81	83	79
At cost, less reserve, amount of reserve shown	26	29	19	21	19	18	35	53	42
At cost, less reserve, amount of reserve not shown	11	11	17	14	11	16	22	0*	0*
At cost or less	21	22	26	32	28	24	21	18	8
At cost or company's valuation	2	5	4	6	2	2	0	0	0
At net equity (or equity in net worth) (or company's proportion of book value)	14	22	28	27	22	20	17	19	16
At nominal value	12	17	10	11	6	4	3	6	2
At appraised (or estimated) value	3	0	5	4	4	8	3	3	2
At market value	0	0	0	1	1	1	2	2	1
At net tangible asset value	1	1	0	2	1	3	1	2	0
At net current asset value	0	0	2	0	1	0	1	1	1
At par or redemption value	1	1	0	2	1	4	2	2	2
At net book amounts	4	14	14	14	11	10	3	1	5
Long explanation of basis of valuation	9	7	5	10	9	3	0	0	0
Various	11	21	0	0	0	1	0	0	0
No basis of valuation indicated	78	86	75	73	91	88	84	84	118
No such investments shown	249	241	253	248	249	245	234	232	238
(Some had more than one item)	522	554	537	542	526	529	509	506	514

* Included in preceding item.

G - RESERVE FOR DOUBTFUL NOTES AND ACCOUNTS RECEIVABLE - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934
Amount shown, deducted from asset	353	355	340	345	334	330	319	292
Asset stated net of reserve, but amount of reserve not shown	62	61	77	75	79	83	86	102
Reserve carried on liability side (8 are utilities)	12	9	11	16	14	15	17	23
	427	425	428	436	427	428	422	417
No reserve shown or indicated (17 are investment trusts having no accounts receivable)	73	75	73	65	73	73	78	83
(One had two items)	500	500	501	501	500	501	500	500

H - INVENTORIES - BASIS OF VALUATION

	1941	1940	1939	1938	1937	1936	1935	1934	1933
At the lower of cost or market	237	270	260	259	265	237	246	246	229
At the lower of cost or market, less reserve	28	23	24	20	14	23	17	14	9
At cost	93	106	94	97	87	87	75	73	67
At cost or less	49	53	53	61	49	54	37	30	33
At cost less reserve	12	14	15	16	10	14	13	12	12
At cost and below market	12	8	7	12	3	10	14	12	11
At cost, not exceeding market	22	13	20	9	14	17	13	11	12
Not in excess of cost or market, whichever lower	1	2	6	7	4	4	6	5	6
At market	5	9	5	5	6	11	4	5	6
At market, less cost of selling and distribution (packing houses)	5	5	6	5	6	4	5	4	5
At cost or less, not in excess of market	6	0	0	0	0	0	0	0	0
Last-in-first-out method	35	0	0	0	0	0	0	0	0
At cost, which is substantially (or approximately) market	2	3	4	7	3	3	4	4	7
At lower than market	8	8	7	8	6	9	6	3	3
Certain raw materials at fixed prices, all other inventories at the lower of cost or market	4	2	2	3	3	1	1	3	3
At market or lower	0	2	3	2	1	0	1	2	3
At less than cost or market	5	2	4	8	6	3	1	1	2
At book value	2	2	3	7	7	6	3	0	6
At sales prices	5	6	6	6	0	0	0	0	0
At lowest of cost, market or estimated realizable values	2	2	4	0	0	0	0	0	0
Company's valuation	5	3	6	0	0	0	0	0	0
Various bases - explained in footnote or certificate	16	0	0	0	0	0	0	0	0
	554	533	529	532	484	483	446	425	414
No basis of valuation indicated	23	31	40	35	51	57	63	68	94
No inventories shown (25 being investment trusts and finance companies)	28	30	30	32	33	32	32	33	31
(Some had more than one item)	605	594	599	599	568	572	541	526	539

I - INVENTORIES - BREAKDOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Raw materials and supplies combined, with finished goods shown separately	69	74	86	88	74	80	86	78	71
Finished goods, raw materials and supplies shown separately	78	84	94	80	78	77	40	38	9
Forward	147	158	180	168	152	157	126	116	80

I - INVENTORIES - BREAKDOWN (Continued)

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Forward	147	158	180	168	152	157	126	116	80
Breakdown appropriate to specific industry	34	16	20	18	9	5	5	9	7
Raw materials and products combined, with supplies shown separately	33	38	12	0	0	0	0	0	0
	214	212	212	186	161	162	131	125	87
Totals only - no breakdown	258	258	258	282	306	306	337	342	382
No inventories shown (25 being investment trusts and finance companies)	28	30	30	32	33	32	32	33	31
	500	500	500	500	500	500	500	500	500

Utility companies show the following as to materials and supplies for construction:

	1941	1940	1939	1938	1937	1936
"Materials, merchandise and supplies, including construction materials"- under current	20	14	18	14	22	13
"Materials and supplies" under current	42	39	41	40	32	38
Operating materials and supplies under current and construction material under other assets	0	0	2	3	3	3
"Materials and supplies, including construction materials" - not in current category	2	1	1	1	1	2
"Materials and supplies" under "Other Assets", or otherwise shown separately (current assets not grouped)	6	5	4	8	8	9
No inventory shown	0	4	0	0	1	1
	70	63	66	66	67	66

K - INVENTORIES - TERMINOLOGY

	1941	1940	1939	1938	1937	1936	1935
"Inventories" (classes indicated or given in detail)	283	278	276	253	238	253	254
"Inventories" (classes not indicated)	73	79	78	84	92	93	93
Classes indicated or given in detail, but the word "Inventories" not used (including 54 utilities)	80	85	86	94	98	90	91
Forward	436	442	440	431	428	436	438

K - INVENTORIES - TERMINOLOGY (Continued)

	1941	1940	1939	1938	1937	1936	1935
Forward	436	442	440	431	428	436	438
"Materials" (or "Materials and Supplies")	12	0	0	0	0	0	0
"Merchandise Inventories" or "Inventory of Merchandise"	22	23	23	33	34	28	30
"Merchandise"	2	5	7	4	5	4	0
No inventories shown (25 being investment trusts and finance companies)	28	30	30	32	33	32	32
	500	500	500	500	500	500	500

L - INVENTORIES - QUALIFICATIONS OR EXPLANATIONS IN THE BALANCE SHEET (other than basis of valuation)

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Certified by (responsible) officials (or by the management) as to quantities and condition (or marketable or salable condition)	1	3	3	51	49	48	43	37	23
Quantities and condition (as) determined (or reported) by the company (or by the management, or by employees of the company)	0	5	13	58	49	46	36	28	0
Physical inventories (or based on physical inventories)	14	20	13	27	19	27	35	28	28
Certified by the management (or by responsible officials)	0	1	1	7	8	8	6	9	9
After eliminating inter-company profits (or inter-company profits excluded)	17	4	3	8	4	8	6	5	1
Inter-company profits have not been eliminated	3	9	6	8	6	5	5	3	1
Book inventories	6	8	10	18	12	5	11	5	8
Taken by company officials and employees	1	2	4	13	12	7	3	0	0
Not fully realizable within one year but included as current because of trade practice	4	7	4	0	0	0	0	0	0
Other	26	14	0	1	5	3	4	8	25
	72	73	57	191	164	157	149	123	95
No qualifications or explanations	408	410	416	305	315	321	332	348	387
No inventories shown (25 being investment trusts and finance companies)	28	30	30	32	33	32	32	33	31
(Some had more than one item)	508	513	503	528	512	510	513	504	513

M - INTANGIBLES - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Included with property, value shown	24	26	25	26	39	20	19	18	6
Included with property, value not shown	41	50	48	48	43	42	46	47	44
Shown separately - nominal valuation	157	157	151	151	146	148	141	136	137
Shown separately - valued	91	105	105	101	92	102	100	104	106
Shown separately, not valued	0	3	3	2	1	1	0	0	0
Included with deferred amounts, value not shown	0	3	3	2	2	1	0	0	0
Deducted from capital stock, value shown	1	1	0	0	0	0	0	0	0
	314	345	335	330	323	314	306	305	293
No intangibles shown	194	177	179	183	177	186	194	195	207
(Some had more than one item)	508	522	514	513	500	500	500	500	500

N - DEBT DISCOUNT AND EXPENSE - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934
Shown separately - with notation explaining how amortized	28	30	24	27	19	22	17	10
Shown separately - without explanation	89	87	91	106	116	114	110	116
Shown combined with discount and commission on capital stock - without explanation	0	0	0	0	0	0	1	2
Shown combined with other deferred charges - without explanation	6	7	12	10	12	11	6	10
	123	124	127	143	147	147	134	138
No debt discount and expense shown	85	91	93	101	91	92	83	92
No funded debt	292	285	280	256	262	261	283	270
	500	500	500	500	500	500	500	500

O - DISCOUNT AND COMMISSION ON CAPITAL STOCK - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934
Shown separately - with notation explaining how amortized	8	11	11	11	3	1	1	2
Shown separately - without explanation	11	11	10	16	21	22	17	14
Forward	19	22	21	27	24	23	18	16

O - DISCOUNT AND COMMISSION ON CAPITAL STOCK - HOW SHOWN (Continued)

	1941	1940	1939	1938	1937	1936	1935	1934
Forward	19	22	21	27	24	23	18	16
Shown combined with debt discount and expense - without explanation	0	0	0	0	0	0	1	2
Shown combined with other deferred charges - without explanation	0	1	2	0	0	1	1	1
Deducted from premium on sale of stock and net amount added to capital surplus	0	0	1	1	2	1	0	0
Deducted from capital surplus	3	0	0	0	0	0	0	0
Deducted from par value of preferred stock outstanding	0	3	0	0	0	0	1	1
Deducted from common stock	2	0	0	0	0	0	0	0
Other	3	4	0	0	0	0	0	0
	27	30	24	28	26	25	21	20
None shown	473	470	476	472	474	475	479	480
	500	500	500	500	500	500	500	500

P - PREPAID EXPENSES AND DEFERRED CHARGES - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934
All in one group and described, partly or fully, but only total shown	124	124	116	117	136	125	154	156
All in one item, as "prepaid" or "deferred" or "prepaid and deferred", without description	160	135	133	126	148	136	146	147
All in one group and described, and shown in 2 items	53	77	73	70	41	66	72	72
All in one group and described, and shown in 3 or more items	90	100	106	110	105	105	71	51
Prepaid and deferred distinctly separated and described, but only total of each group shown	11	6	10	8	22	16	6	7
Prepaid and deferred distinctly separated, but only total of each group shown, and no description	4	4	9	4	6	8	3	7
Prepaid and deferred distinctly separated, each group in detail, with 2 or more items	3	3	3	7	0	3	3	4
Prepaid taxes, interest and insurance, shown in one total, under current assets	1	0	0	0	2	0	0	2
Prepaid insurance, etc. shown under current assets, plus other deferred items below	12	16	16	21	7	14	9	9
Forward	458	465	466	463	467	473	464	455

P - PREPAID EXPENSES AND DEFERRED CHARGES - HOW SHOWN (Continued)

	1941	1940	1939	1938	1937	1936	1935	1934
Forward	458	465	466	463	467	473	464	455
Prepaid expenses, no description, shown under current assets	0	0	0	2	5	1	3	5
Same, plus other deferred items below	21	16	8	13	0	1	6	5
Prepaid expenses and deferred charges, one total with no description, shown under current assets	0	0	0	0	0	0	0	1
Prepaid and deferred included in one total of non-related items (not current)	3	1	1	2	6	3	3	5
Only prepaid insurance shown (not current), no other deferred items	1	0	3	3	1	2	2	2
Only prepaid taxes shown (not current), no other deferred items	0	0	0	1	1	0	1	1
All in one group and described, but carried at $1	0	0	0	1	1	1	1	2
Deferred charges, less deferred credits - amounts shown, but no description	0	0	0	0	1	1	2	2
	483	482	478	485	482	482	482	478
No such items shown (being principally investment trusts and finance companies)	17	18	22	15	18	18	18	22
	500	500	500	500	500	500	500	500
Total showing any Prepaid Expenses under Current Assets	34	32	24	36	14	16	18	22

Q - MINORITY INTEREST IN SUBSIDIARIES - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934
Interest in capital stock and surplus combined in one item	66	69	75	88	91	99	114	122
Interest in capital stock and in surplus shown separately	40	40	40	40	31	30	36	27
Interest in preferred stock only	7	8	9	11	7	13	17	26
Interest in capital stock only	4	10	9	3	12	12	3	6
Interest in capital stock and accrued dividends thereon	1	1	4	3	3	1	0	0
"Minority interest in preferred and common stocks of subsidiary companies" at nominal amount of $1	0	0	1	1	1	1	1	1
Minority interest deducted from total assets	0	0	0	0	0	0	1	1
Forward	118	128	138	146	145	156	172	183

Q - MINORITY INTEREST IN SUBSIDIARIES - HOW SHOWN (Continued)

	1941	1940	1939	1938	1937	1936	1935	1934
Forward	118	128	138	146	145	156	172	183
Minority interest shown in income statement but not in balance sheet	1	1	1	2	4	0	0	0
Consolidated statements, but no minority interest shown	265	258	248	244	247	240	223	213
Not consolidated statements	116	113	113	108	104	104	105	104
	500	500	500	500	500	500	500	500

R - CAPITAL ACCOUNTS (CAPITAL STOCK AND SURPLUS ACCOUNTS) - TERMINOLOGY OF GROUP

	1941	1940	1939	1938	1937	1936
Capital (or Capital Account)	33	33	34	41	39	41
Capital stocks (or shares)	9	3	31	16	7	6
Capital stock and surplus	193	191	188	184	171	154
Capital and surplus	25	28	25	24	26	33
Capital stock and earned surplus	8	5	5	6	10	3
Capital stock and paid-in surplus	2	1	2	1	2	2
Capital stock, paid-in and earned surplus	0	0	0	0	0	1
Common stock and surplus	1	1	3	1	2	2
Stated capital and earned surplus	1	1	1	1	1	3
Stated capital and surplus	1	1	1	1	1	1
Net worth	3	5	4	4	5	6
Shareholders' equity	1	1	2	2	2	2
Liability to stockholders	1	1	1	1	1	1
Capital structure	1	1	1	1	1	1
Capital stock equities	0	0	0	0	0	1
Capital interest of stockholders	0	0	0	0	1	1
Not grouped, or grouped with no heading	221	228	202	217	231	242
	500	500	500	500	500	500

S - CAPITAL STOCK - WITH OR WITHOUT PAR VALUE

	1941	1940	1939	1938	1937	1936	1935	1934	1933
One class, without par value	104	100	101	98	97	106	110	106	102
One class, with par value under $25	80	76	66	66	73	62	59	51	44
One class, with par value $25 or over	27	24	26	20	21	27	22	23	22
Forward	211	200	193	184	191	195	191	180	168

S - CAPITAL STOCK - WITH OR WITHOUT PAR VALUE (Continued)

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Forward	211	200	193	184	191	195	191	180	168
More than one class, all without par value	52	52	61	64	62	65	65	64	72
More than one class, part with par value $25 or over and part without par value	110	116	112	120	125	117	124	125	126
More than one class, part with par value under $25 and part without par value	32	33	37	36	32	24	21	24	23
More than one class, all with par value, part $25 or over and part under $25	47	47	47	45	38	39	40	37	36
More than one class, all with par value $25 or over	30	33	32	29	31	29	33	35	32
More than one class, all with par value under $25	10	9	8	8	8	10	7	9	8
More than one class, part with par value $25 or over, part with par value under $25 and part without par value	5	5	5	6	5	6	5	7	5
	286	295	302	308	301	290	295	301	302
No indication of par value, or whether par or no par	3	5	5	8	8	15	14	19	30
	500	500	500	500	500	500	500	500	500
Show stated value per share of no par stock	84	71	73	75	65	33	42	49	44

T - CAPITAL STOCK - AUTHORIZED AND OUTSTANDING

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Shares authorized and outstanding, and amount outstanding, each class shown separately if more than one	470	468	469	470	464	445	456	439	422
Shares authorized and outstanding shown for each class, but amount outstanding in total	14	16	15	12	13	20	13	15	10
Amount authorized and outstanding, and par value per share, but number of shares not shown	6	3	3	3	5	8	1	4	4
Shares outstanding for each class, and total value of all classes in one amount, but number of shares authorized not shown	0	2	1	2	4	2	0	1	2
Authorized capital stock not shown	10	11	12	13	14	25	30	41	62
	500	500	500	500	500	500	500	500	500

U - CAPITAL SURPLUS - TERMINOLOGY

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Capital surplus	248	249	245	239	223	223	210	209	195
Paid-in surplus	48	48	48	46	51	48	41	48	50
Surplus arising from revaluation of property (or appraisal surplus)	11	9	11	10	18	16	17	17	17
Surplus of subsidiaries at acquisition	0	0	0	2	1	4	4	7	8
Initial surplus	2	1	3	3	3	8	5	6	6
Capital and paid-in surplus (in one amount)	7	6	3	4	4	6	6	5	6
Capital surplus and paid-in surplus (separately)	3	0	1	0	1	2	5	2	1
Capital surplus paid in	5	3	4	5	6	4	6	4	5
Premium on capital stock	1	12	5	5	4	2	0	0	0
Paid-in capital surplus	1	0	2	0	2	1	1	1	1
Surplus at organization	2	3	1	2	1	3	2	3	2
Capital and initial surplus	0	2	1	0	1	0	1	2	2
Capital surplus and stated value of common stock shown in one amount	0	1	1	0	2	1	3	1	1
Capital arising from conversion (or redemption) of shares	5	3	3	8	6	4	0	0	0
Surplus arising from decrease of capital	2	3	3	5	3	2	0	0	0
Contributed surplus	2	3	2	1	1	1	1	0	0
Acquired surplus	0	1	1	2	1	0	0	0	0
Surplus to a specific date	1	1	2	0	1	0	0	0	0
No such item shown	171	160	179	179	188	194	204	195	206
(Some had more than one item)	509	505	515	511	517	519	506	500	500

V - CAPITAL SURPLUS - WHETHER RELATED TO CAPITAL STOCK OR TO SURPLUS

	1941	1940	1939	1938	1937	1936
Definitely related to surplus	166	180	162	157	153	141
Combined with earned surplus in one amount on the balance sheet as "surplus", but footnote or separate statement shows both	3	3	4	8	8	7
Definitely related to capital stock	21	22	24	28	37	29
Combined with common stock in one amount	1	1	5	3	2	1
Not related definitely to either capital stock or surplus	138	134	126	125	112	128
No capital surplus account	171	160	179	179	188	194
	500	500	500	500	500	500

W - SURPLUS FROM OPERATIONS - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Earned surplus	359	355	360	341	350	333	315	302	284
Surplus	36	40	45	44	56	69	67	65	89
Deficit	10	17	17	29	17	23	32	43	46
Earned surplus from a specific date	62	59	40	51	30	29	28	22	19
Deficit from a specific date	8	6	12	8	4	5	14	18	10
Profit and loss surplus	0	1	3	2	4	9	15	15	15
Profit and loss deficit	0	1	2	2	4	4	4	7	5
Deficit charged against capital surplus, and only the latter shown in the balance sheet	1	4	1	3	1	3	3	6	5
Undivided profits	2	2	2	3	4	3	3	5	6
Operating deficit	2	1	1	4	3	3	4	3	4
Corporate surplus	0	4	1	3	9	6	6	4	5
Surplus from operations	0	0	2	1	3	2	3	1	1
Deficit from operations	1	2	2	1	6	3	4	2	3
Operating surplus	1	1	1	1	1	1	0	0	0
Surplus from undistributed profits and income	0	1	0	1	1	1	0	0	0
General surplus	1	1	1	1	1	1	1	1	1
Further surplus	1	1	1	1	1	1	1	1	1
Revenue surplus	0	0	0	0	0	0	0	1	1
Income surplus	1	0	0	0	1	0	0	1	1
Undivided earned surplus	0	0	0	0	1	1	0	0	0
Undistributed income	2	2	2	1	1	1	0	0	0
Deficit shown on the asset side	0	0	0	0	0	0	0	2	2
Unappropriated surplus	0	2	2	0	0	0	0	0	0
Earned surplus, if any, and capital surplus	1	0	1	0	0	0	0	0	0
Net profits from a specific date	1	0	1	0	0	0	0	0	0
No surplus shown - Net income for the period included in net worth	0	0	0	0	0	0	0	1	1
Part as appropriated and part as unappropriated	10	0	0	0	0	0	0	0	0
"Surplus (substantially all of which is earned surplus)"	1	0	0	0	0	0	0	0	0
Surplus (including transfer from capital surplus as of a specific date) (Amount transferred and nature thereof not stated)	1	0	0	0	0	0	0	0	0
No surplus shown	0	0	3	3	3	3	1	1	2
(One had both surplus and undivided profits)	501	500	500	500	501	501	501	501	501

X - REACQUIRED SHARES - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Deducted at par or stated value from issued shares	126	136	128	130	153	153	161	147	157
Deducted at cost from issued	10	11	19	14	20	21	8	14	10
Deducted at par or cost from total of issued stock and surplus	49	56	51	43	32	40	41	48	25
Deducted at cost from surplus or capital surplus	15	11	4	6	8	3	7	6	5
Deducted at par or stated value, from surplus or capital surplus	6	3	1	4	3	1	0	0	0
Deducted at cost from total of capital stock and surplus	4	5	2	6	1	1	0	0	0
Indicated in capital stock description as having been charged against surplus in prior years; basis not shown	1	0	0	2	2	1	0	0	0
Deducted from capital stock, basis not stated	25	21	40	16	0	0	0	0	0
Treasury stock shown in capital section - no indication of treatment of amount	12	17	14	12	4	1	0	0	0
Par or stated value deducted from issued stock and excess cost deducted from earned or capital surplus	12	0	0	0	0	0	0	0	0
	260	260	259	233	223	221	217	215	197
Carried as an asset, at cost	18	23	31	44	39	54	77	88	113
Carried as an asset, at cost or less	0	1	1	2	1	1	0	0	0
Carried as an asset, at market	2	0	2	2	1	3	3	4	9
Carried as an asset, at par	2	2	1	3	3	4	4	6	6
Carried as an asset, at book value or without indication of basis of valuation	7	12	11	14	11	11	1	2	7
Carried as an asset, at nominal value	2	1	1	1	2	1	0	0	0
Carried as an asset, at no value	0	0	0	0	0	1	2	1	0
	31	39*	47*	66*	57*	75*	87*	101	135
Carried as an asset, for resale to employees	9	3	8	9	9	11	21	20	24
No reacquired shares shown	212	208	200	204	221	204	182	177	165
(Some had more than one item)	512	510	514	512	510	511	507	513	521
Surplus earmarked as restricted to the extent of the cost of reacquired shares	14	17	18	19	24	30	37	31	14
* Of the number showing this item as an asset, the reason for so doing (as required in Form 10-K) was shown by	12	13	14	20	10	6	9	0	0

Y - REACQUIRED BONDS - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Deducted from outstanding - amount shown	43	64	69	78	98	73	82	105	88
Deducted from outstanding - amount not shown	9	8	7	6	7	7	4	6	3
Carried as an asset, at cost	3	5	4	8	9	12	7	13	19
Carried as an asset, at par	0	1	1	0	0	1	0	1	3
Carried as an asset, at market	0	0	0	0	0	0	0	1	1
Carried as an asset for sinking fund	1	1	2	1	0	4	5	8	6
	56	79	83	93	114	97	98	134	120
No reacquired bonds shown	154	137	137	154	124	145	119	96	121
No funded debt	292	285	280	256	262	261	283	270	259
(Some had more than one item)	502	501	500	503	500	503	500	500	500
	346								380

Z - CONTINGENT LIABILITIES - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Shown in or below balance sheet	193	233	226	241	254	238	186	167	161
Notation reads "None reported" or "None ascertained"	13	1	4	3	4	3	6	24	24
None shown or indicated	294	266	270	256	242	259	308	309	315
	500	500	500	500	500	500	500	500	500

Za - WAR CONTRACT BALANCES (GOVERNMENT ADVANCES) - HOW SHOWN

	1941
Included in current assets and current liabilities - Complete information given	3
Same - but insufficient information given	30
Shown other than in current position - either stated net or related liabilities shown and deducted from total of related assets	5
Shown other than in current position - assets and liabilities shown contra	8
Part included in regular current position and part under separate (not current) heading	4
Separate subsidiary formed, and not included in consolidation, but separate balance sheet of such subsidiary included in report	1
Reference made in footnote to such balances, but information incomplete	2
No indication of such balances	448
(One had two classifications)	501

AA - DIFFERENCE BETWEEN CARRYING VALUES OF INVESTMENTS IN SUBSIDIARIES AND PAR, STATED, OR BOOK VALUE AT ACQUISITION THEREOF - TREATMENT

	1941	1940	1939	1938	1937	1936
Excess of carrying value of investments in securities of subsidiaries over book values at dates of acquisition shown as an amount and added to plant, property, etc. (or excess of subsidiaries' book value over carrying value deducted)	22	30	26	27	31	31
As above, except that a portion of the excess over carrying value was credited to reserve for contingencies	0	0	0	1	0	1
Excess of carrying value of investments in securities of subsidiaries over book values at dates of acquisition indicated to be included (or excess of subsidiaries' book value over carrying value deducted) in plant, property, etc., but amount thereof not shown	8	2	0	0	1	3
Excess of carrying value of investments in subsidiaries over par or stated value shown as an amount and added to plant, property, etc. (or excess of par or stated value over carrying value deducted)	1	1	4	5	3	2
Excess of carrying value of investments in securities of subsidiaries over par or stated value thereof indicated to be included in (or excess of par or stated value over carrying value deducted from) plant, property, etc., but amount thereof not shown	0	1	2	0	1	1
Excess of par or stated value over carrying value shown separately under capital	3	1	3	2	1	3
Excess of book values at acquisition of subsidiaries' securities over cost of investment therein shown separately under capital	1	1	0	1	1	1
Excess of face value over cost of subsidiary's bonds carried as a deferred credit	0	0	0	0	1	0
Subsidiaries' surplus at acquisition separately shown on liabilities side	1	0	0	1	1	3
Excess of cost over book value of subsidiaries' stock charged against capital surplus	2	4	3	5	2	3
Excess of book value of subsidiaries' securities over carrying value of investment therein appears to be included in capital surplus	1	2	2	7	4	2
Excess of book value of subsidiaries' securities over cost or over stated value of parent's securities issued therefor, added to paid-in surplus	3	2	3	1	3	2
Forward	42	44	43	50	49	52

AA - DIFFERENCE BETWEEN CARRYING VALUES OF INVESTMENTS IN SUBSIDIARIES AND PAR, STATED, OR BOOK VALUE AT ACQUISITION THEREOF - TREATMENT (Continued)

	1941	1940	1939	1938	1937	1936
Forward	42	44	43	50	49	52
Excess of cost over book value at dates of acquisition described and carried as a separate asset	4	3	1	3	2	1
Net excess of equity over cost added to earned surplus	1	1	0	0	1	1
Excess of cost of stocks of subsidiaries over their net tangible assets at respective dates of acquisition added to intangibles	1	2	2	2	3	1
Excess of cost over book value of net tangible assets (or net worth) deducted from earned surplus	3	3	2	0	3	2
Excess of book value of subsidiaries' securities over cost thereof to date carried as a separate item above the capital section	1	0	2	3	1	0
Large excesses credited to "Surplus" - warrants special consideration	1	1	0	1	0	3
No indication of excess or of surplus at acquisition	333	333	337	335	342	339
Not a consolidation	116	113	113	108	104	104
(Some had more than one item)	502	500	500	502	505	503

BB - ASSETS PLEDGED (other than property)

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Securities pledged	65	72	62	69	67	63	62	82	62
Securities deposited with state	38	41	44	45	36	26	28	32	12
Receivables pledged	14	13	11	19	13	15	10	15	13
Inventories pledged	7	3	8	9	6	6	6	13	9
Deposits (of cash or securities) to secure contracts	30	30	42	38	30	27	14	11	9
Certain current liabilities shown as secured, but no indication of what the security is	2	1	0	2	2	2	1	0	0
Cash and/or receivables pledged	19	28	12	13	8	1	0	0	0
Magazine titles, good will, subscription lists, etc., pledged	0	3	1	2	1	1	0	0	0
None indicated	354	344	350	343	365	382	394	374	410
(Some had more than one item)	529	535	530	540	528	523	515	527	515

CC - CUMULATIVE DIVIDENDS IN ARREARS - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Amount per share and total shown	47	50	59	57	33	38	53	55	12
Total amount shown, but not amount per share	14	13	12	18	21	16	22	29	39
Show only date from which in arrears	1	3	5	3	6	4	14	28	56
Amount per share shown, but not total	8	11	9	13	11	13	13	13	11
Total amount and date shown, but not amount per share	0	0	1	4	3	13	6	11	19
No mention in statements, but apparently in arrears	2	0	0	1	4	2	5	4	9
No mention in statements, but arrears shown in accountants' certificate	0	0	0	0	1	1	1	0	0
Cumulative dividends not in arrears	191	186	191	175	201	198	178	160	148
No stock entitled to cumulative dividends	237	237	223	229	220	215	208	200	206
	500	500	500	500	500	500	500	500	500

DD - NOTES TO FINANCIAL STATEMENTS

	1941	1940	1939
Relating to foreign subsidiaries	139	160	158
Sale, redemption or retirement of capital stocks and/or funded debt	58	52	46
Pertaining to taxes	93	74	71
Purchase commitments	38	32	22
Restriction on payment of dividends	83	69	43
Contracts for purchase or sale of property	9	24	9
Opinion of lawyers - no liability re suits exist against company	5	12	9
Suits re alleged violation of anti-trust laws or Robinson-Patman act	5	2	5
Suits pending against company	55	32	41
Reorganizations and recapitalizations	20	14	18
Proration of parent company expenses to subsidiaries	0	0	2
Basis of consolidation	42	75	28
Pertaining to the war	10	14	5
Pertaining to receivables	9	-	-
Depreciation or revaluation of property	82	61	41
Proceedings before Securities and Exchange Commission	9	10	8
"Emergency" plant facilities	14	16	0
(Some had more than one item)	671	647	506

EE - ACCRUED DIVIDENDS NOT DECLARED AND NOT IN ARREARS - HOW SHOWN

	1941	1940	1939	1938	1937
Shown as a current liability	30	9	22	8	15
Otherwise shown	4	20	11	6	11
None shown	466	471	467	486	474
	500	500	500	500	500

FF - CONSUMERS' DEPOSITS - HOW SHOWN (Utilities Only)

	1941	1940	1939	1938	1937
Current position shown; deposits shown as a current liability	49	47	47	40	34
Current position shown; deposits shown as a separate item not under current liabilities	3	1	5	9	14
Current position shown; deposits shown combined with other items not under current liabilities	0	2	3	3	3
Deposits shown, but balance sheet does not reflect current position	4	5	3	7	8
None shown	7	8	8	7	8
	63	63	66	66	67

II - SALES VOLUME - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Sales shown in total	341	324	324	313	286	272	268	228	223
Sales analyzed by commodities	64	53	51	57	53	55	51	45	42
Sales not reported	95	123	125	130	161	173	181	227	235
	500	500	500	500	500	500	500	500	500

KK - COST OF GOODS SOLD - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Combined in one total with selling or administrative expenses or both	161	191	176	186	197	183	193	110	114
Shown separately	174	183	185	164	140	128	116	82	66
Not mentioned	165	126	139	150	163	189	191	308	320
	500	500	500	500	500	500	500	500	500

LL - GROSS PROFIT - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Shown as the difference between sales and cost of sales	142	179	149	116	116	106	87	64	53
Shown after sales, but without showing cost of sales	8	4	1	2	4	6	1	5	5
The following descriptions were used for gross profit (as it is ordinarily understood) in instances where sales and cost of goods sold were not reported:									
Gross profit on (or from) sales	15	15	20	15	21	16	21	21	20
Gross profit	6	8	17	15	16	13	12	11	10
Manufacturing profit	2	2	3	4	5	4	5	6	6
Gross operating profit	0	2	1	2	1	1	3	6	3
Profit from operations	6	16	8	14	13	15	2	4	4
Gross income from operations	3	3	2	3	2	1	2	4	3
Gross manufacturing profit	0	0	0	0	2	1	1	4	4
Gross profit from operations	4	2	5	4	4	3	2	3	5
Income from operations	2	3	5	1	1	0	0	2	2
Profit from (or on) sales	1	1	1	1	1	3	1	2	3
Gross earnings	1	2	1	0	1	2	2	2	2
Income from sales	1	0	0	0	1	0	1	1	1
Gross income from sales	2	1	1	2	1	1	1	1	1
Gross operating income	1	0	0	1	0	0	0	1	3
Net profit from operations before deducting selling and administrative expenses	1	0	0	1	1	0	0	1	1
Earnings	0	1	0	0	0	0	0	1	1
Gross earnings from operations	0	0	1	1	3	1	1	1	1
Net earnings	1	3	2	1	1	1	1	1	1
Operating profit	6	9	0	5	10	9	1	1	1
Net operating revenue	2	2	1	1	2	1	0	0	0
Profit	0	0	0	0	0	2	1	1	1
Profit from trading	1	0	1	0	1	0	0	1	0
Gross income	4	1	3	1	0	0	0	1	1
Not reported	291	246	278	310	293	314	355	355	368
	500	500	500	500	500	500	500	500	500

MM - SELLING EXPENSES - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Combined with administrative or general expenses	194	189	185	179	158	146	137	133	118
Combined with cost of goods sold	144	191	176	182	190	183	193	110	114
Shown as a separate item	20	22	23	21	18	20	29	22	20
Not shown	142	98	116	118	134	151	141	235	248
	500	500	500	500	500	500	500	500	500

NN - ADMINISTRATIVE AND GENERAL EXPENSES - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Combined with selling expenses	194	189	185	179	158	146	137	133	118
Combined with cost of goods sold	140	189	174	183	190	181	191	109	111
Shown as a separate item	44	41	42	61	54	59	65	63	52
Not shown	122	91	99	77	98	114	107	195	219
	500	500	500	500	500	500	500	500	500

OO - PROVISION FOR DOUBTFUL ACCOUNTS - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934
Amount shown separately, before net operating profit	37	40	47	46	43	46	42	36
Amount shown separately, as an income charge	19	24	24	22	18	23	27	27
Amount shown separately, as a surplus charge	0	1	0	2	0	0	0	0
Indicated, but combined with other items, amount not shown	35	19	16	29	41	30	23	25
None shown or mentioned	409	416	413	401	398	401	408	412
	500	500	500	500	500	500	500	500

PP - PROVISION FOR DEPRECIATION OR RETIREMENTS - HOW SHOWN IN INCOME STATEMENTS

Industrials, etc.:

	1941	1940	1939	1938	1937	1936	1935	1934
As a manufacturing expense, before gross profit	47	68	59	53	50	58	60	46
After gross profit, but before net operating profit	125	160	168	144	131	119	113	103
Otherwise separately deducted, viz:								
Do no show, as a separate item, "operating profit", "net operating profit", or "profit from operations", (all before depreciation) - and do not give information from which net operating profit after depreciation can be determined, although depreciation is shown	11	4	7	33	21	15	24	37
Forward	183	232	234	230	202	192	197	186

PP - PROVISION FOR DEPRECIATION OR RETIREMENTS - HOW SHOWN IN INCOME STATEMENTS (Continued)

Industrials, etc. (Continued):

	1941	1940	1939	1938	1937	1936	1935	1934
Forward	183	232	234	230	202	192	197	186
Otherwise separately deducted, viz: (Continued)								
Same - but do give information from which net operating profit after depreciation can be determined, viz:								
by showing depreciation in a group of items which are obviously income charges	13	6	2	10	32	22	11	29
by showing depreciation as a final deduction, after all other items, but before income taxes	9	2	3	9	22	7	2	3
by showing depreciation as a final deduction, after income taxes	0	1	1	2	5	10	0	1
Do show, as a separate item, "operating profit", "net operating profit", or "profit from operations", (all before depreciation)- and do give information from which net operating profit after depreciation can be determined, viz:								
by showing depreciation in a group of items which are obviously income charges	61	57	52	56	67	84	92	91
by showing depreciation as a final deduction, after all other items but before income taxes	22	36	45	29	19	34	52	43
by showing depreciation as a final deduction, after income taxes	5	11	18	14	9	17	17	9
Amount stated, but no indication of where charged	94	44	35	48	27	19	13	22
Amount not stated, but depreciation mentioned as provided for (e.g. "net income after depreciation") without indicating where charged	2	2	2	3	4	3	3	5
Amount stated and charged to surplus	0	2	1	1	1	0	1	1
No provision shown or mentioned	16	18	14	21	27	35	18	14
	405	411	407	423	415	423	406	404
No property account (26 being investment trusts and finance companies)	25	26	27	20	20	22	29	29
Total Industrials, etc. (Forward)	430	437	434	443	435	445	435	433

PP - PROVISION FOR DEPRECIATION OR RETIREMENTS - HOW SHOWN IN INCOME STATEMENTS (Continued)

	1941	1940	1939	1938	1937	1936	1935	1934
Total Industrials, etc. (Forward)	430	437	434	443	435	445	435	433
Utilities:								
As an operating expense:								
"retirements"	2	10	8	9	17	22	24	25
"depreciation"	31	28	25	27	16	15	15	15
"retirements and depletion"	3	5	6	5	6	3	3	3
"retirements, renewals and replacements of fixed capital"	1	0	4	4	4	3	0	0
"depreciation and retirements"	8	5	6	4	5	1	1	1
"depreciation and amortization"	4	1	0	0	2	0	0	0
"renewals and replacements"	0	0	2	1	1	1	2	2
"renewals, retirements and depletion"	0	0	2	2	1	0	0	0
"depletion and depreciation"	1	0	0	1	1	0	0	0
"depletion, depreciation and replacements"	1	1	1	1	1	1	0	0
Otherwise described	17	11	5	5	0	3	1	1
As an income charge	2	2	7	8	12	17	19	19
No provision shown or mentioned	0	0	0	0	1	0	0	1
Total Utilities	70	63	66	67	67	66	65	67
(Some showed depreciation in two ways)	500	500	500	510	502	511	500	500

QQ - CASH DISCOUNTS - HOW SHOWN

	1941	1940	1939	1938	1937
Discounts on sales:					
Cash discounts deducted from sales, amount stated	1	1	1	1	3
Same, but amount not stated	22	29	27	18	19
Discounts deducted from sales without indication that discounts are cash discounts, amount stated	2	1	2	1	1
Same, but amount not stated	49	19	34	55	33
Included with selling expenses, etc.; amount not stated	2	1	2	2	3
Shown in income charges section; amount stated	14	8	11	6	14
Same, but amount not stated	10	6	6	14	14
Discounts on purchases:					
Shown in other income, amount shown	42	37	34	31	37
Same, but amount not shown	31	20	34	48	37
Deducted from operating charges	3	1	1	1	1
Net discounts:					
Shown in income charges or credits	4	4	4	4	12
Shown as operating costs and expenses	0	1	2	2	1
No indication of any discounts	343	396	369	349	359
(Some had more than one item)	523	524	527	532	534

RR - INTEREST ON FUNDED DEBT AND AMORTIZATION OF DEBT DISCOUNT AND EXPENSE - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934
Amortization, funded debt interest, and other interest (if any), each shown separately	76	79	79	86	82	80	74	67
No unamortized debt discount, funded debt interest shown separately from other interest (if any)	46	53	60	50	54	49	57	57
Amortization and funded debt interest combined, other interest (if any) shown separately	19	16	23	27	23	25	28	40
No unamortized debt discount, funded debt interest combined with other interest	20	29	18	30	27	27	25	23
Amortization, funded debt interest, and other interest, all combined	14	8	19	15	19	22	14	23
Amortization separate, funded debt interest and other interest combined	8	9	7	14	14	9	8	9
Amortization, funded debt interest, and other interest (if any), all combined with other charges	5	2	3	1	6	7	8	5
Interest on funded debt shown separately, amortization combined with other charges	12	5	10	9	7	7	7	4
Income account not presented in detail	8	3	5	12	8	14	1	4
Various	0	13	0	0	0	0	0	0
No funded debt	292	283	276	256	260	260	278	268
	500	500	500	500	500	500	500	500

SS - MINORITY INTEREST IN CURRENT INCOME - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934
Amount deducted (or added, if a loss) from net income after income taxes	72	70	76	76	78	104	121	109
Deducted after income tax but before surtax	0	0	0	0	5	1	0	0
Amount deducted from net income before income taxes	5	8	3	5	5	14	28	29
Included with other income deductions, but amount not shown	0	3	3	2	4	7	2	8
Included in income deductions (or income credits, if a loss) amount shown	24	21	28	39	23	1	0	0
Included with costs and other operating expenses, amount not shown	1	0	0	0	0	0	0	0
Footnote to income statement states that minority interests in income are deducted in surplus statement	0	1	1	0	1	0	0	0
Forward	102	103	111	122	116	127	151	146

SS - MINORITY INTEREST IN CURRENT INCOME - HOW SHOWN (Continued)

	1941	1940	1939	1938	1937	1936	1935	1934
Forward	102	103	111	122	116	127	151	146
Minority interest shown in balance sheet, but no item in income statement	17	23	28	26	33	29	21	37
Various	0	3	0	0	0	0	0	0
Consolidated statements, but no minority interest	265	258	248	244	247	240	223	213
Not consolidated statements	116	113	113	108	104	104	105	104
	500	500	500	500	500	500	500	500

UU - PROVISION FOR INCOME TAXES - HOW SHOWN

	1941	1940	1939	1938	1937	1936	1935	1934	1933
Shown as a separate item, or combined with capital stock tax or foreign income tax	289	355	408	358	292	364	378	324	204
Combined in one total with provision for surtax or excess profits tax	125	67	0	0	71	40	0	0	0
Provision indicated, but included with other deductions from income	57	33	31	34	57	31	38	55	84
Combined with cost of goods sold, etc.	1	6	18	11	11	9	0	0	0
Not shown, but apparently taxable income	2	18	14	25	27	25	35	37	58
Portion of estimated tax saved (because of unusual write-off) credited to surplus	1	0	0	0	0	0	0	0	0
No taxable income, apparently	25	21	29	72	42	31	49	84	154
	500	500	500	500	500	500	500	500	500

VV - PROVISION FOR EXCESS PROFITS TAX - HOW SHOWN

	1941	1940
Shown as a separate item	228	115
Combined in total with Federal Taxes - Amount not stated	43	24
Same - Amount stated in foot note or parenthetically	60	101
Combined in total with taxes - Amount not stated	19	4
Same - Amount stated in foot note or parenthetically	14	17
In foot note or parenthetically - "No provision is considered necessary" or similar	42	62
Portion of estimated tax saved (because of unusual write-off) credited to surplus	1	0
No excess profits taxable income, apparently	93	177
	500	500

WW - DIVIDENDS - WHERE CHARGED

	1941	1940	1939	1938	1937	1936
Earned surplus or surplus	400	395	372	365	386	389
Income	29	20	24	22	48	24
Preferred to income and common to surplus	8	6	5	7	8	6
Preferred dividend charged to deficit	0	3	0	1	2	2
Capital surplus and common stock	3	1	2	3	2	2
Undivided profits	6	3	1	3	4	1
Distribution of capital	0	0	0	1	1	1
No indication of where charged	2	0	0	0	0	0
None paid or declared	54	72	96	101	67	79
(Some were charged in two places)	502	500	500	503	518	504

XX - INCOME AND SURPLUS STATEMENTS - COMPOSITION

	1941	1940	1939	1938	1937	1936
Surplus charges and credits applied to surplus account	280	306	307	323	371	330
Surplus charges and credits applied to income before carrying balance to surplus	36	27	31	25	9	43
Surplus charges and/or credits applied in part to income accounts and in part to surplus accounts	22	44	31	2	4	2
Changes in surplus shown on face of balance sheet	10	20	19	25	22	18
Income charges shown in surplus statement	11	0	6	0	4	2
No surplus charges or credits shown as such (other than dividends)	137	100	104	123	87	99
No statement presented	4	3	2	2	3	6
	500	500	500	500	500	500

YY - UNUSUAL OR DEBATABLE INCOME AND SURPLUS ITEMS

	1941	1940	1939	1938	1937	1936	1935	1934
Loss or gain on securities sold: carried to income	52	50	52	57	34	60	75	81
Loss or gain on securities sold carried to surplus	23	27	27	23	33	27	25	22
Revaluation of securities: carried to income	15	13	12	8	6	9	12	7
Revaluation of securities carried to surplus	19	36	26	37	32	38	39	23
Loss or gain on permanent assets sold or scrapped carried to income	76	85	65	65	37	39	69	58
Forward	185	211	182	190	142	173	220	191

YY - UNUSUAL OR DEBATABLE INCOME AND SURPLUS ITEMS (Continued)

	1941	1940	1939	1938	1937	1936	1935	1934
Forward	185	211	182	190	142	173	220	191
Loss or gain on permanent assets sold or scrapped carried to surplus	34	52	35	50	36	44	36	31
Reserves or adjustments of prior periods carried to income instead of surplus	23	36	21	23	16	11	17	19
Extraordinary gains credited to income, the propriety of which might be open to question	6	13	3	7	9	2	9	5
Provision for contingencies charged to income	95	41	18	16	11	13	9	8
Provision for contingencies charged to surplus	18	22	14	19	18	14	8	8
Entire amount of debt discount and expense written off against earned surplus	6	9	5	6	4	7	2	0
Discount and expense on (new) capital issue charged to capital or paid-in surplus	3	2	2	3	10	0	4	0
Discount and expense on (new) capital issue charged to earned surplus	4	10	7	1	0	0	0	0
Capital surplus created, increased or reduced by changing valuation of stock or by exchanges of shares or bonds having different par, face, or stated values	17	13	15	27	16	11	7	0
Excess portion of reserves transferred to capital surplus	5	13	7	10	6	1	0	0
Earned surplus transferred to capital surplus so that balance in earned surplus is from specific date	3	7	7	5	0	0	0	0
Extraordinary provision for depreciation charged to earned or capital surplus	7	14	13	13	0	0	0	0
Revaluation of permanent assets charged or credited to earned surplus	14	21	8	8	0	0	0	0
Transfer of entire surplus to reserve for plant and/or investments	1	1	2	3	0	0	0	0
Foreign exchange adjustments carried to earned surplus	6	13	22	0	0	0	0	0
Foreign exchange adjustments carried to income	30	40	42	0	0	0	0	0
Write-down of property charged to income	13	4	6	0	0	0	0	0
	470	522	409	381	268	276	312	262

ZZ - REACQUIRED SHARES OR BONDS - DISPOSITION OF GAINS OR LOSSES

	1941	1940	1939	1938	1937	1936
Reacquired shares sold:						
Gain credited to capital surplus	11	9	15	6	12	8
Loss charged to capital surplus	5	3	0	2	6	3
Gain credited to earned surplus	3	1	3	4	5	9
Loss charged to earned surplus	4	1	3	1	8	5
Gain credited to income	0	0	1	0	1	1
Loss or gain applied to a reserve account	1	0	0	0	0	0
Reacquired shares - Transactions other than sales:						
Gain credited to capital surplus	18	29	29	33	22	12
Loss charged to capital surplus	31	32	20	29	27	21
Gain credited to earned surplus	7	9	8	7	6	14
Loss charged to earned surplus	18	20	23	15	17	30
Gain credited to income	2	1	0	1	0	2
Loss charged to income	4	2	3	1	2	1
Gain credited to surplus not segregated as to capital and earned	0	5	1	0	3	1
Loss charged to surplus not segregated as to capital and earned	0	2	0	1	0	1
Cost charged to earned surplus; par value credited to capital surplus	0	0	0	1	2	1
Cost charged to earned surplus; par value allowed to remain in capital stock	0	0	0	0	1	0
Cost charged to capital surplus; capital stock unchanged	0	0	0	0	1	0
Cost charged to combined capital stock and capital surplus	2	0	0	0	1	0
Gain carried as a deferred credit in the balance sheet	2	0	1	0	0	2
Loss carried as a deferred charge in the balance sheet	0	0	0	1	0	0
No disposition of gain or loss (cost of shares deducted from capital stock or surplus)	35	6	8	0	0	0
Reacquired bonds:						
Gain credited to capital surplus	2	1	2	3	7	1
Loss charged to capital surplus	3	1	2	0	3	3
Gain credited to earned surplus	11	21	24	31	18	33
Loss charged to earned surplus	24	36	27	27	24	33
Gain credited to income	5	4	10	18	12	11
Loss charged to income	6	11	11	12	5	10
Gain carried as a deferred credit in the balance sheet	0	0	0	1	0	1
No transaction in reacquired shares or bonds	330	330	332	336	336	338
(Some had more than one item)	524	524	523	530	519	541

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CATERPILLAR TRACTOR CO.

(A CALIFORNIA CORPORATION)

Balance Sheet, December 31, 1941

Cash		$ 5,380,620.77	
Notes and accounts receivable, less reserves		8,457,258.61	
Inventories—at cost or market, whichever lower		30,580,144.47	
			$44,418,023.85
Patents, trade-marks and goodwill—at record value			1.00
Land, buildings, machinery and equipment—at approximate cost		$39,294,617.26	
Less: Reserves for depreciation and amortization		17,107,821.92	
			22,186,795.34
Prepaid insurance, taxes, etc.			23,089.73
			$66,627,909.92

Accounts payable		$ 5,420,780.84	
Accrued payroll and expenses		1,675,482.43	
Federal taxes		9,236,579.96	
			$16,332,843.23
Notes payable to banks (due 1943 and 1944)			3,000,000.00
Capital stock and surplus:			
Capital stock:			
Preferred: five per cent cumulative—par value $100.00 per share:			
Authorized 250,000 shares			
Common: without nominal or par value:			
Authorized 2,500,000 shares			
Issued 1,882,240 shares		$ 9,411,200.00	
Surplus (see pages 24-25):			
Capital	$13,733,576.97		
Earned	24,150,289.72		
		37,883,866.69	
			47,295,066.69
			$66,627,909.92

To the Board of Directors of CATERPILLAR TRACTOR CO.:

We have examined the balance sheet of Caterpillar Tractor Co. as of December 31, 1941 and the statements of income and surplus for the year then ended. In connection therewith, we have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate.

It has been the company's policy to take a complete physical inventory once a year, but owing to the unusual high demand for its products growing out of the national defense and war program, a cessation of operations for the purpose of taking physical inventories during the year 1941 was not practicable. The inventories reflected on the balance sheet at December 31, 1941 are, therefore, based on book records. The transactions recorded in the inventory accounts since January 1, 1941 have been subjected to comprehensive test checks and consideration has been given to obsolete stock and price trends. We have satisfied ourselves as to the company's procedures and although we have not been able to make test checks of physical quantities in respect of the major part of the inventories, we are satisfied that the book inventories reliably reflect the value of the inventories at December 31, 1941, valued on substantially the same basis as the inventories at the beginning of the year.

With the explanation in the foregoing paragraph relating to the scope of our examination, we are of the opinion that the accompanying balance sheet and related statements of income and surplus present fairly the position of Caterpillar Tractor Co. at December 31, 1941 and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois, January 23, 1942

PRICE, WATERHOUSE & CO.

STATEMENT OF INCOME, EXPENSES, PROFITS AND DIVIDENDS
For the Year 1941

INCOME RECEIVED FROM CUSTOMERS FOR—		
"Caterpillar" products sold to them	$101,957,986.70	
Interest on unpaid balances owed by them	145,338.82	
		$102,103,325.52
COST AND EXPENSES FOR—		
Manufacture and distribution of "Caterpillar" products; operation, maintenance and repair of plant and equipment; and administration of the company's operations:		
Materials, supplies and services purchased from others, etc.	$ 58,465,817.87	
Wages and salaries paid to all "Caterpillar" employees	32,599,073.55	
Depreciation—estimated to be the cost of the wear and deterioration of plant and equipment and special amortization of war facilities	3,540,952.44	
Federal taxes on the company's net income, on the valuation of its capital stock, and on the wages of its employees	9,190,725.55	
Interest paid to banks and others for borrowed money	68,023.01	
	$103,864,592.42	
Deduct: Charges included above for inventories purchased or manufactured in excess of sales for the year	9,545,749.60	
		94,318,842.82
NET PROFIT for the year		$ 7,784,482.70
DIVIDENDS paid to stockholders in cash as compensation for the use of their savings invested in the company		3,764,480.00
DIFFERENCE—the increase in capital during 1941 as summarized on the opposite page in the column "Increase or decrease during the year"		$ 4,020,002.70

STATEMENT OF FINANCIAL CONDITION

At December 31, 1941

		Increase or decrease during the year
PROPERTIES OWNED AND AMOUNTS OWED TO THIS COMPANY BY OTHERS—		
CASH in banks in the principal financial centers of the United States and in cities in which the company has a factory or parts distributing depot. The amount is equivalent to the cash required for less than three weeks' operations	$ 5,380,620.77	*$ 1,313,149.58*
NOTES AND ACCOUNTS RECEIVABLE due from distributors, dealers and their customers on their purchases of "Caterpillar" products. This amount is approximately equivalent to average current sales for less than one month	8,457,258.61	136,670.34
INVENTORIES of rough material, partially manufactured products, finished machines and parts, and operating supplies. The amount on hand is usually equivalent to several months' sales	30,580,144.47	9,545,749.60
PATENTS, TRADE-MARKS AND GOODWILL combine to induce customer preference for "Caterpillar" products, which has been created by the satisfactory performance of our machines. This preference has a great real value to "Caterpillar" but because that value cannot be definitely calculated, it is carried in the company's accounts at a nominal amount	1.00	
LAND, BUILDINGS, MACHINERY AND EQUIPMENT in which and with which "Caterpillar" products are made, stored and operations carried on. The value here shown is after deducting allowances for the accumulated wear and deterioration of the properties to date	22,186,795.34	1,389,370.06
PREPAID INSURANCE, TAXES, ETC. paid in advance of use or benefit therefrom. They will be absorbed in operating expenses of the future periods to which they apply	23,089.73	*6,198.76*
Total book value of properties owned, etc.	$66,627,909.92	$ 9,752,441.66
AMOUNTS DUE TO OTHERS FOR—		
Materials, supplies, services, etc. and equipment purchased	$ 5,420,780.84	$ 1,079,929.99
Wages due to employees and expenses	1,675,482.43	553,522.46
Federal taxes	9,236,579.96	5,098,986.51
Money borrowed from banks to be repaid over the years 1943 and 1944	3,000,000.00	*1,000,000.00*
Total amount owed to others	$19,332,843.23	$ 5,732,438.96
DIFFERENCE—the capital owned and employed by approximately 17,200 stockholders	$47,295,066.69	$ 4,020,002.70

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
HARRIS TRUST BUILDING
CHICAGO

International Harvester Company:

We have examined the balance sheet of International Harvester Company as of October 31, 1941 and the related summary of income and surplus for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying balance sheet and summary of income and surplus fairly present the financial condition of the Company at October 31, 1941 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

Chicago, February 5, 1942

INTERNATIONAL HARVESTER COMPANY

SUMMARY OF INCOME AND SURPLUS

For the Years ended October 31, 1941 and 1940

	1941	1940
Net sales:		
To dealers and users in the United States (including defense and lend-lease in 1941)	$334,371,436	$248,028,605
To subsidiary companies	30,263,622	26,653,794
Total	$364,635,058	$274,682,399
Cost of goods sold	$270,894,691	$208,366,559
Selling, collection, administrative and general expenses	38,195,334	34,403,129
Depreciation	7,259,393	6,707,742
Provision for losses on receivables	1,000,000	2,250,000
Total	$317,349,418	$251,727,430
Net income from sales	$ 47,285,640	$ 22,954,969
Interest on receivables, securities, etc.	4,123,962	3,559,651
Dividends received from subsidiary companies (less taxes withheld at source)	4,036,471	3,446,673
Contribution to pension fund trustee	*2,602,115*	*1,910,617*
Provision for guaranteed bank loan of foreign subsidiary	*860,000*	—
Miscellaneous charges	*458,639*	*155,536*
Miscellaneous credits	237,835	182,091
Income from operations before provision for federal income tax	$ 51,823,154	$ 28,077,231
Provision for federal income tax (including excess profits tax of $4,750,000 in 1941)	17,421,008	5,151,121
Net income from operations	$ 34,402,146	$ 22,926,110
Other *charges* and credits:		
Provision for inventory reserve	*3,000,000*	—
Provision for foreign investment reserve	*2,000,000*	—
Excess of reserve previously provided for investment in an associated company sold in 1941	1,082,442	—
Reduction of reserve for losses on receivables (based on recoveries of receivables previously written off)	150,000	235,000
Net income	$ 30,634,588	$ 23,161,110
Surplus at beginning of year	86,411,443	86,207,074
Total	$117,046,031	$109,368,184
Cash dividends:		
Preferred stock at $7.00 per share	*$ 5,717,068*	*$ 5,717,068*
Common stock*	*13,160,242*	*10,188,568*
Total dividends	*$ 18,877,310*	*$ 15,905,636*
Surplus adjustments:		
Transferred to reserve for foreign investment	—	*7,051,105*
Total surplus deductions	*$ 18,877,310*	*$ 22,956,741*
Surplus at end of year	$ 98,168,721	$ 86,411,443

*For 1941, $.40 per share paid April 15, July 15, October 15, $1.40 December 20 and $.50 January 15, 1942. Total $3.10.
For 1940, $.40 per share paid April 15, July 15, October 15, $.80 October 23 and $.40 January 15, 1941. Total $2.40.

INTERNATIONAL HA

BALANCE SHEET OCTO

ASSETS

	1941	1940
CURRENT ASSETS:		
Cash	$ 58,713,346	$ 46,718,804
United States treasury notes, tax series B 1943, at cost	$ 25,010,000	—
Marketable securities, at lower of cost or market	$ 3,564,077	$ 17,484,294
Receivables:		
Notes of dealers, farmers, and motor truck users, etc.	$105,357,585	$100,771,209
Accounts receivable	23,082,519	15,301,811
Total	$128,440,104	$116,073,020
Deduct reserve for losses	21,349,086	20,951,867
Net receivables (including employes, $39,092 in 1941 and $111,083 in 1940)	$107,091,018	$ 95,121,153
Inventories:		
Raw materials, work in process, finished products, etc., at lower of cost or market (including advances on purchases of $4,940,466 in 1941, and $14,127,292 in 1940)	$133,114,427	$118,810,799
Total current assets	$327,492,868	$278,135,050
PROPERTY:		
Land	$ 12,658,628	$ 12,644,803
Buildings, machinery, equipment, etc.	199,334,152	193,273,207
Total	$211,992,780	$205,918,010
Deduct reserve for depreciation	110,378,587	103,949,030
Net property	$101,614,193	$101,968,980
INVESTMENT IN SUBSIDIARIES:		
Operating in enemy occupied Europe	$ 9,388,101	$ 9,367,850
Deduct portion of reserve for foreign investment applied	9,388,101	—
	$ —	$ 9,367,850
All other	53,617,712	51,842,420
Total	$ 53,617,712	$ 61,210,270
OTHER ASSETS (Including investment in associated company $500,000 in 1940.)	$ 1,049,456	$ 1,592,213
DEFERRED CHARGES	$ 829,712	$ 841,689
Total	$484,603,941	$443,748,202

NOTE: Inventories do not include any intercompany profit and are adjusted to the lower of cost or market on the basis of specific items, market being considered as replacement values. Cost of goods sold is computed generally on a "first-in first-out" basis.

RVESTER COMPANY

BER 31, 1941 AND 1940

LIABILITIES

	1941	1940
CURRENT LIABILITIES:		
Current invoices, payrolls, taxes, etc.	$ 63,913,000	$ 37,989,666
Preferred stock dividend declared in October, payable in December	1,429,267	1,429,267
Common stock dividend declared in November, payable in December	5,943,337	—
Common stock dividend declared in November, payable in January	2,122,621	1,698,094
Accounts payable to subsidiary companies	68,924	239,589
Total current liabilities	$ 73,477,149	$ 41,356,616
DEFERRED CREDITS	$ 2,135,647	$ 2,410,560
(Including in 1941, $363,174 and in 1940, $363,226 representing accumulated net gains from transactions in the Company's capital stock, principally in prior years.)		
RESERVES:		
Special maintenance	$ 2,791,752	$ 2,669,812
Development and extension	3,415,949	2,025,975
Fire insurance	5,501,584	5,372,396
Inventory	25,000,000	22,000,000
Foreign investment	22,611,899	30,000,000
Total reserves	$ 59,321,184	$ 62,068,183
PREFERRED STOCK	$ 81,672,400	$ 81,672,400
Authorized 1,000,000 shares $100 par value. Issued 823,325 shares, less 6,601 shares in treasury.		
COMMON STOCK	$169,828,840	$169,829,000
Authorized 6,000,000 shares, no par value. Issued 4,409,185 shares, less in treasury 163,464 shares in 1941, and 163,460 shares in 1940.		
EARNED SURPLUS	$ 98,168,721	$ 86,411,443
Total	$484,603,941	$443,748,202

NOTE: At October 31, 1941 the Company was contingently liable as guarantor of bank liabilities of certain foreign subsidiaries payable in foreign currencies which, at quoted rates of exchange, amounted approximately to $3,000,000.

PROPERTY

	1941	1940
Balance at beginning of year	$205,918,010	$199,839,789
Add:		
Capital expenditures during year:		
Farm implement works and twine mills	$ 2,325,040	$ 2,468,855
Motor truck and tractor plants	2,237,002	5,060,189
Branches and service stations	911,000	527,513
Mines, furnaces, steel mills, etc.	2,257,159	110,658
Total additions	$ 7,730,201	$ 8,167,215
Total	$213,648,211	$208,007,004
Deduct:		
Property sold, dismantled, etc.	$ 1,477,733	$ 1,943,775
Depletion of iron ore and coal	177,698	145,219
Total deductions	$ 1,655,431	$ 2,088,994
Balance at end of year, before reserve for depreciation	$211,992,780	$205,918,010

RESERVES

DEPRECIATION:

The annual deductions from earnings for depreciation provide for the impairment and consumption of the capital assets utilized in production and distribution. Such depreciation is based on rates confirmed by experience in this industry.

	1941	1940
Balance at beginning of year	$103,949,030	$ 98,568,525
Add provision for year	7,259,393	6,707,742
Total	$111,208,423	$105,276,267
Deduct depreciation on property sold, dismantled, etc.	829,836	1,327,237
Balance at end of year	$110,378,587	$103,949,030

RESERVES

LOSSES ON RECEIVABLES·

This reserve provides for losses which may ultimately be sustained in the collection of notes and accounts receivable.

	1941	1940
Balance at beginning of year	$ 20,951,867	$ 19,498,486
Add:		
Provision for year	1,000,000	2,250,000
Recoveries during year of receivables previously written off	151,941	236,162
Total	$ 22,103,808	$ 21,984,648
Deduct notes and accounts charged off	604,722	797,781
	$ 21,499,086	$ 21,186,867
Deduct approximate amount of recoveries during year of receivables previously written off, restored to income	150,000	235,000
Balance at end of year	$ 21,349,086	$ 20,951,867

SPECIAL MAINTENANCE:

This reserve provides for relining of blast furnaces, open-hearth furnaces, maintenance of docks and harbors, and other extraordinary renewals and replacements.

	1941	1940
Balance at beginning of year	$ 2,669,812	$ 2,481,535
Add provision for year, charged to cost of goods sold	878,849	772,753
Total	$ 3,548,661	$ 3,254,288
Deduct:		
Relining, renewal and other charges during year	756,909	584,476
Balance at end of year	$ 2,791,752	$ 2,669,812

DEVELOPMENT AND EXTENSION:

This reserve is maintained for extraordinary programs involving large expenditures periodically required for tooling and pattern equipment.

	1941	1940
Balance at beginning of year	$ 2,025,975	$ 2,015,657
Add provision for year, charged to cost of goods sold	2,500,000	3,650,000
Total	$ 4,525,975	$ 5,665,657
Deduct expenditures for tooling and pattern equipment for new model tractors and motor trucks	1,110,026	3,639,682
Balance at end of year	$ 3,415,949	$ 2,025,975

RESERVES

FIRE INSURANCE:

The Company carries a reasonable portion of its own fire insurance risks at branches and motor truck sales and service stations. Modern methods of fire prevention and protection are rigidly enforced at the Company's properties.

	1941	1940
Balance at beginning of year	$ 5,372,396	$ 5,263,567
Add provision for year, charged to operations	157,790	168,335
Total	$ 5,530,186	$ 5,431,902
Deduct losses by fire, etc., during year	28,602	59,506
Balance at end of year	$ 5,501,584	$ 5,372,396

INVENTORY:

A substantial part of the Company's capital is at all times invested in inventories. This reserve is to provide against the effect of cyclical price declines.

	1941	1940
Balance at beginning of year	$ 22,000,000	$ 22,000,000
Add provision for year	3,000,000	—
Balance at end of year	$ 25,000,000	$ 22,000,000

FOREIGN INVESTMENT:

This reserve provides for possible losses on the investment of the Company in foreign subsidiaries.

	1941	1940
Balance at beginning of year	$ 30,000,000	$ 22,948,895
Add:		
Provision for year	2,000,000	—
Special provision transferred from surplus	—	7,051,105
Total	$ 32,000,000	$ 30,000,000
Deduct portion applied against investment in enemy occupied Europe	9,388,101	—
Balance at end of year	$ 22,611,899	$ 30,000,000

ARTHUR ANDERSEN & CO.

120 South La Salle Street
CHICAGO

To the Stockholders
Oliver Farm Equipment Company:

We have examined the consolidated balance sheet of OLIVER FARM EQUIPMENT COMPANY (a Delaware corporation) and subsidiary companies as of October 31, 1941, and the statements of consolidated profit and loss and surplus for the ten months then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statement of profit and loss present fairly the position of the companies at October 31, 1941, and the results of their operations for the ten months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
December 24, 1941.

Oliver Farm Equipment Compa

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:		
Cash		$ 4,261,232.48
Receivables (including approximately $470,000 due after October 31, 1942)—		
Farmers' and dealers' notes, less commission certificates of $118,506.25 payable only upon collection of farmers' notes	$ 2,606,627.79	
Accounts, chiefly dealers'	3,603,234.85	
Miscellaneous	75,264.29	
	$ 6,285,126.93	
Less—Reserves for losses and cash discounts	1,001,740.55	5,283,386.38
Inventories, at the lower of cost or market (Note 1)—		
Raw materials and supplies	$ 2,658,060.86	
Work in process and finished goods, less reserves of $711,850.80 for obsolescence and other losses	7,900,244.47	10,558,305.33
Total current assets		$20,102,924.19
ACCOUNT WITH DISTRIBUTOR IN ARGENTINA, secured in part by mortgages on property of the distributor, less reserve of $319,180.93 for losses		342,059.00
PREPAID EXPENSES AND DEFERRED CHARGES		214,006.05
PROPERTIES NOT USED IN OPERATIONS (Note 2)	$ 2,320,767.85	
Less—Balances of reserves provided at December 31, 1934 for depreciation, $851,270.62, and for reduction to the then estimated liquidating values as determined by the companies, $1,045,385.12	1,896,655.74	424,112.11
LAND, BUILDINGS, MACHINERY, ETC. (Note 2):		
Land and land improvements	$ 1,410,669.84	
Buildings, machinery, etc.	15,335,403.58	
	$16,746,073.42	
Less—Reserves for depreciation	9,935,874.99	6,810,198.43
PATENTS, DESIGNS, TRADE-MARKS, AND GOODWILL		1.00
		$27,893,300.78

Notes: (1) The inventories at October 31, 1941 are based on inventories determined as of the close counts made as of the close of the seasons or throughout the period and valued on the b

(2) The gross amounts at which land, buildings, machinery, etc., and properties not used in c acquired from them in 1929 for cash and no-par capital stock, plus subsequent additions predecessors.

(3) The accounts of the Canadian subsidiary (the only active foreign subsidiary) are included approximately the official rate of exchange; other net assets ($368,836, consisting of p mately the official rate of exchange. Withdrawal of assets from Canada is subject to r

any and Subsidiary Companies

SHEET—OCTOBER 31, 1941

LIABILITIES

CURRENT LIABILITIES:			
Notes payable to banks, current maturities			$ 375,000.00
Accounts payable			1,167,197.23
Accrued expenses—			
Federal income taxes		$ 1,108,121.04	
Taxes, other than Federal income taxes		276,592.79	
Other		546,275.23	1,930,989.06
Total current liabilities			$ 3,473,186.29
NOTES PAYABLE TO BANKS, $2,625,000, due $375,000 annually on September 17, 1942 to 1948, inclusive, less $375,000 current maturities included in current liabilities			2,250,000.00
CAPITAL STOCK OF SUBSIDIARY HELD BY OTHERS			4,000.00
CAPITAL STOCK AND SURPLUS:			
Common stock without par value, authorized, 800,000 shares; issued, 337,786 shares		$13,743,555.00	
Paid-in surplus (balance after deducting deficit accumulated to December 31, 1934)		3,134,361.99	
Earned surplus since December 31, 1934—			
Balance December 31, 1940	$3,813,794.10		
Add—Net profit for the ten months ended October 31, 1941, per accompanying statement	1,659,638.97		
	$5,473,433.07		
Deduct—Cash dividend of 50 cents per share on common stock	167,943.00	5,305,490.07	
		$22,183,407.06	
Less—Treasury stock, 1,090 shares, at cost		17,292.57	22,166,114.49
			$27,893,300.78

of the manufacturing or selling seasons from perpetual quantity records test-checked by physical asis of the lower of cost or market.

perations are stated represent the ledger amounts shown on books of predecessors for properties at cost, less retirements. Depreciation reserves include related reserves taken over from

in the consolidated statements on the following basis: net current assets ($1,113,369), at roperty less reserves), at parity of U. S. and Canadian dollars; net loss ($28,699), at approxi- egulations of the Canadian Foreign Exchange Control Board.

Oliver Farm Equipment Company
and Subsidiary Companies

Condensed Statement of Consolidated Profit and Loss
For the Ten Months Ended October 31, 1941

NET SALES		$23,162,134.78
COST OF SALES AND SELLING AND GENERAL EXPENSES, including provisions of $531,621.35 for loss on receivables and $586,867.20 for depreciation		20,562,064.96
Net profit from operations		$ 2,600,069.82
OTHER INCOME:		
Interest received	$128,178.60	
Miscellaneous	29,261.44	157,440.04
		$ 2,757,509.86
OTHER DEDUCTIONS:		
Interest charges	$ 60,437.00	
Miscellaneous	7,433.89	67,870.89
Net profit before provision for Federal income and excess profits taxes		$ 2,689,638.97
PROVISION FOR:		
Federal income tax	$1,030,000.00	
Federal excess profits tax	—	1,030,000.00
Net profit for the ten months ended October 31, 1941		$ 1,659,638.97

PRICE, WATERHOUSE & CO.

56 Pine Street
New York, N. Y.
March 10, 1942

To the Stockholders of the
Eastman Kodak Company:

As auditors elected at the annual meeting of stockholders held on April 29, 1941, and in continuation of our annual examinations for the previous 39 years since the inception of the Company, we have examined the consolidated balance sheet of Eastman Kodak Company and its subsidiary companies in the Western Hemisphere as at December 27, 1941, and the related consolidated statement of profit and loss and earned surplus for the fiscal year then ended. In connection therewith, we have reviewed the system of internal control and the accounting procedures of the Company and of its subsidiary companies consolidated and, without making a detailed audit of the transactions, have examined or tested accounting records of such companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statement of profit and loss and earned surplus, together with the comments relating thereto in the accompanying report of the Directors, present fairly the position of the companies consolidated at December 27, 1941, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

TOUCHE, NIVEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

Eighty Maiden Lane
New York

TO THE BOARD OF DIRECTORS OF
TWENTIETH CENTURY-FOX FILM CORPORATION:

We have examined the accompanying financial statements of Twentieth Century-Fox Film Corporation and wholly-owned subsidiary companies for the year (52 weeks) ended December 27, 1941, viz.:

Consolidated balance sheet and memorandum of foreign assets and liabilities, December 27, 1941;

Consolidated profit and loss for the year (52 weeks) ended December 27, 1941;

Consolidated earned surplus, since April 1, 1933, for the year (52 weeks) ended December 27, 1941; and

Balance sheet (parent company only) December 27, 1941.

We have also examined the accompanying balance sheet of Roxy Theatre, Inc. (a wholly-owned subsidiary company) as at August 28, 1941, and statements of profit and loss and earned surplus for the year (52 weeks) then ended, which are not incorporated in the consolidated statements of the Corporation and its wholly-owned subsidiary companies, but which are made a part of this report.

In connection with both examinations, we have reviewed the system of internal control and the accounting procedures of the companies, and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examinations were made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Examinations of the financial statements of foreign wholly-owned subsidiary companies have been made by other independent public accountants, in most instances at the close of the calendar year. The latest available reports of such accountants have been submitted to us for review. The balance sheets of these companies as at November 22, 1941, and the statements of profit and loss for the year (52 weeks) then ended, as shown by reports prepared by these companies, which also have been reviewed, have been included in the consolidated financial statements, in accordance with the established practice of the Corporation. In accepting reports of the auditors of the foreign subsidiaries, we have relied not alone upon the reputations of such other accountants, but more particularly upon review, analysis and investigation of such reports to satisfy ourselves that the financial statements of such foreign subsidiaries have been stated in conformity with the manner in which we would have prepared them.

In our opinion, the accompanying financial statements, including the explanatory notes, present fairly:

(a) The consolidated position of Twentieth Century-Fox Film Corporation and wholly-owned domestic and foreign subsidiary companies (with the exception of Roxy Theatre, Inc.) at December 27, 1941 and their consolidated results of operations for the year (52 weeks) then ended;

(b) The position of Twentieth Century-Fox Film Corporation (parent company only) at December 27, 1941;

(c) The position of Roxy Theatre, Inc. (a wholly-owned subsidiary company, not consolidated) at August 28, 1941, and the results of its operations for the year (52 weeks) then ended;

all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN & CO.
Certified Public Accountants.

New York, N. Y.
April 6, 1942.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

HARRIS TRUST BUILDING
CHICAGO

ACCOUNTANTS' CERTIFICATE

BENDIX AVIATION CORPORATION:

We have examined the consolidated balance sheet of Bendix Aviation Corporation and its domestic subsidiaries as of September 30, 1941 and the related summary of consolidated income and surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control. We have also made similar examinations with respect to the Canadian subsidiary not consolidated and two of the non-consolidated domestic affiliated companies; as to the remaining foreign subsidiary companies not consolidated and the remaining non-consolidated domestic affiliate, carried in the balance sheet at an aggregate amount of $877,529.75, before deducting the reserve of $500,000.00, we have made no examinations and neither were reports of other accountants available with respect thereto as of September 30, 1941. Although we have previously examined the consolidated balance sheet as of September 30, 1940, we have not examined, and this certificate does not cover, the income statement for the year ended September 30, 1940.

In our opinion, the accompanying consolidated balance sheet and summary of consolidated income and surplus fairly present the financial condition of the companies at September 30, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

Chicago,
November 29, 1941.

PRICE, WATERHOUSE & CO.
PENOBSCOT BUILDING
DETROIT, MICHIGAN

April 8, 1942

To the Board of Directors and
the Stockholders of
Briggs Manufacturing Company:

We have examined the consolidated balance sheet of Briggs Manufacturing Company and its domestic subsidiary companies as of December 31, 1941, and the consolidated statement of income for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

It has been the company's policy to take a complete physical inventory once a year but due to the war program, it was not practicable to stop operations to take a physical inventory with respect to the accumulated unbilled costs and inventories aggregating approximately $3,100,000 relating to aircraft contracts. We have satisfied ourselves as to the company's accounting procedures and although we have not been able to observe counts of physical quantities, we are satisfied as to the substantial fairness of the amount at which such accumulated unbilled costs and inventories have been stated.

In our opinion, subject to the explanation in the foregoing paragraph relating to the scope of our examination and except that a portion of the provision for depreciation for the year was charged to the reserve for decrease in property values created at December 31, 1932, the accompanying consolidated balance sheet and related statement of income present fairly the position of Briggs Manufacturing Company and its domestic subsidiary companies consolidated at December 31, 1941, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price, Waterhouse & Co.
Certified Public Accountants

ERNST & ERNST

DETROIT

February 17, 1942

Board of Directors,
Chrysler Corporation,
Detroit, Michigan.

We have examined the consolidated balance sheet of Chrysler Corporation and its subsidiaries as of December 31, 1941, and the consolidated statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. Such procedures included extensive test checks of the quantity determinations of physical inventories, except with respect to inventories at the Tank Arsenal amounting to approximately $16,000,000.00 which, pursuant to Government order not to interrupt output of war material, were not physically determined; however, we extended and supplemented other auditing procedures with respect to such inventories, and, considered with the demonstrated effectiveness of the Corporation's accounting control of inventories in past years, we are satisfied as to the substantial fairness of the amount at which the inventories of the Tank Arsenal have been stated.

In our opinion, subject to what has been said above about inventories at the Tank Arsenal, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the consolidated position of the Corporation and its subsidiaries at December 31, 1941, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

THE ELECTRIC AUTO-LITE COMPANY AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet

DECEMBER 31, 1941

ASSETS

CURRENT ASSETS:		
Cash on Hand and Demand Deposits		$ 6,212,236.26
Marketable Securities at Cost		191,713.42
(Quoted Market Value—$395,604.61)		
Notes and Accounts Receivable:		
Notes Receivable	$ 244,273.37	
Accounts Receivable—Trade	8,604,239.13	
Other Accounts Receivable	346,243.12	
	$ 9,194,755.62	
Less: Reserve for Doubtful Notes and Accounts	154,099.00	
		9,040,656.62
Inventories:		
Merchandise, Work-in-Process, Raw Materials and Supplies at Lower of Cost or Market	$12,147,075.32	
Finished Goods Held for Customers and Recommitted Materials at Cost	2,517,012.15	
		14,664,087.47
Total Current Assets		$30,108,693.77
INVESTMENTS AND OTHER ASSETS:		
Securities of Affiliates not Consolidated	$ 30,300.00	
Employees Loans (Less Reserve $84,000.00)	41,732.79	
U. S. Government Bonds—Deposited under State Insurance Laws	26,240.43	
Miscellaneous	162,346.36	
		260,619.58
FIXED ASSETS:		
Property, Plants and Equipment	$27,254,915.15	
Less: Reserve for Depreciation	11,770,788.15	
		15,484,127.00
INTANGIBLE ASSETS:		
Patents, Trademarks, Goodwill, etc.		1.00
DEFERRED CHARGES:		
Prepaid Insurance, Debenture Expense, etc.		221,257.63
		$46,074,698.98

THE ELECTRIC AUTO-LITE COMPANY AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet

DECEMBER 31, 1941

LIABILITIES

CURRENT LIABILITIES:			
Accounts Payable—Trade			$ 3,227,685.11
Accrued Liabilities:			
Payrolls		$ 345,181.59	
Taxes Other Than Income Taxes		712,310.14	
Royalties		45,620.73	
Sundry		421,089.29	
			1,524,201.75
Provision for 1941 Income Taxes			8,220,000.00
Total Current Liabilities			$12,971,886.86
FUNDED DEBT:			
2¼% Debentures due 1950—(Current Sinking Fund Installment $400,000.00 due December 15, 1942)			7,600,000.00
RESERVE FOR CONTINGENT CLAIMS			359,584.97
MINORITY INTEREST IN CAPITAL STOCK AND SURPLUS OF SUBSIDIARY COMPANY			60,595.48
CAPITAL STOCK AND SURPLUS:			
Common Shares $5.00 Par; Authorized 1,500,000 Shares; Issued 1,221,003 Shares		$ 6,105,015.00	
Capital Surplus		2,022,124.70	
Earned Surplus:			
Domestic Corporations	$16,129,311.05		
Canadian Subsidiaries	1,268,439.45		
		17,397,750.50	
		$25,524,890.20	
DEDUCT:			
Treasury Stock—24,260-19/60 Shares		442,258.53	
			25,082,631.67
			$46,074,698.98

THE ELECTRIC AUTO-LITE COMPANY AND SUBSIDIARY COMPANIES

Consolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 1941

SALES		$93,964,575.07
MANUFACTURING COST:		
Material, Labor and Burden	$71,349,242.16	
Depreciation and Amortization	1,382,189.51	72,731,431.67
GROSS PROFIT		$21,233,143.40
SELLING AND ADMINISTRATION EXPENSES		7,013,560.68
PROFIT FROM ABOVE OPERATIONS		$14,219,582.72
OTHER INCOME:		
Discounts on Purchases	$ 397,323.77	
Dividends	42,444.58	
Interest Received	14,314.93	
Rents and Royalties	54,223.10	
Miscellaneous	154,504.74	662,811.12
		$14,882,393.84
OTHER DEDUCTIONS:		
Discounts Allowed	$ 408,293.46	
Debenture Interest Paid	213,996.81	
Other Interest Paid	5,668.27	
Exchange Loss	56,263.02	
Loss on Sale of Fixed Assets (Net)	78,657.92	
Miscellaneous	26,124.73	789,004.21
		$14,093,389.63
DEDUCT: PROVISION FOR INCOME TAXES:		
Federal Normal and Surtaxes and State Income Taxes	$ 2,618,000.00	
Federal Excess Profits Tax	5,202,000.00	
Canadian Income and Excess Profits Tax	400,000.00	8,220,000.00
		$5,873,389.63
MINORITY INTEREST IN PROFITS		7,178.98
NET PROFIT FOR THE YEAR		$ 5,866,210.65

THE ELECTRIC AUTO-LITE COMPANY AND SUBSIDIARY COMPANIES

Consolidated Surplus Accounts

FOR THE YEAR ENDED DECEMBER 31, 1941

CONSOLIDATED EARNED SURPLUS

BALANCE JANUARY 1, 1941 per previous Annual Report		$15,152,046.45
ADDITIONS TO SURPLUS:		
Net Profit for the Year		5,866,210.65
		$21,018,257.10
DEDUCTIONS FROM SURPLUS:		
Dividends Paid—Common Stock—$3.00 per Share	$ 3,590,232.00	
Premium on 2¼% Debentures Retired	6,086.25	
Increase in Reserve for Employees Loans	24,188.35	3,620,506.60
BALANCE DECEMBER 31, 1941 per Balance Sheet		$17,397,750.50

CONSOLIDATED CAPITAL SURPLUS

BALANCE JANUARY 1, 1941 per previous Annual Report	$ 2,021,811.01
ADDITIONS TO SURPLUS:	
Refund of Part of Purchase Price of a Subsidiary	313.69
BALANCE DECEMBER 31, 1941 per Balance Sheet	$ 2,022,124.70

ACCOUNTANTS' REPORT

To the Board of Directors
The Electric Auto-Lite Company

We have examined the Consolidated Balance Sheet of The Electric Auto-Lite Company and Subsidiary Companies as at December 31, 1941 and the statement of Profit and Loss and Surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Companies, and without making a detailed audit of the transactions, have examined or tested accounting records of the Companies and other supporting evidence, by methods, at times, and to the extent we deemed appropriate. In our opinion our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The cash and securities were confirmed by inspection or certificate obtained from the depositories or holders thereof, and a representative number of accounts receivable were substantiated by communication with the debtors. For the most part, the inventories represent physical inventories taken as at December 31, 1941. In other instances inventories represent book values based on physical inventories taken throughout the year and adjusted for interim transactions from the inventory dates to the end of the year. We were in attendance at the plants during the time of the taking of the physical inventories and made test checks of quantities, prices and computations. It is the opinion of the management that the inventories do not include any substantial amount of materials on which, as a result of war conditions, loss will be realized on their disposal.

Foreign accounts consisting of assets and liabilities of Canadian subsidiaries are included in the Balance Sheet at valuations based upon rates of exchange prevailing at the close of the year, except investments and property, plant and equipment accounts which are included at valuation based upon par of exchange. Canadian assets so included may be summarized as follows:

Net Current Assets	$1,083,088.79
Investments and Other Assets	7,763.69
Fixed Assets — Net	719,396.88
	$1,810,249.36
Less: Amounts due to Affiliated Companies	259,972.41
	$1,550,276.95

Consolidated Earnings include $204,736.04 attributable to Canadian Subsidiaries.

As at December 31, 1941 the Company changed its accounting procedures in respect to the accounting for small tools at all its domestic plants except the plants of the battery companies. The small tool accounts were then stated at a net balance of $402,979.63 which was charged off. Formerly it had been the practice of the Company to capitalize small tools and depreciate the account over a forty-month period. In the future small tools will be fully amortized in the year of purchase.

In our opinion the accompanying consolidated balance sheet and related statements of profit and loss and surplus present fairly the consolidated position of The Electric Auto-Lite Company and Subsidiary Companies at December 31, 1941 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting practices mentioned in the foregoing paragraph.

Allen R. Smart & Company
Certified Public Accountants

Chicago, Illinois, February 28, 1942

GENERAL MOTORS CORPORATION
AND CONSOLIDATED SUBSIDIARIES
SUMMARY OF CONSOLIDATED INCOME
FOR THE YEARS ENDED DECEMBER 31, 1941 AND 1940

	Year 1941	Year 1940
Net Sales	$2,436,800,977.49	$1,794,936,642.32
General Motors Corporation's equity in earnings (net) of subsidiary companies not consolidated (dividends and interest received amounted to $19,955,336.65 in 1941 and $20,163,724.13 in 1940)	22,866,496.22	18,997,671.82
Other income (including dividends received of $14,011,659.63 in 1941 and $12,239,907.97 in 1940) less sundry income deductions	17,310,065.47	16,866,334.19
Total	$2,476,977,539.18	$1,830,800,648.33
Less:		
Cost of sales (excluding provision for depreciation)	$1,803,608,246.99	$1,346,113,993.71
Selling, general, and administrative expense	101,480,273.85	98,589,914.90
Provision for:		
Depreciation and amortization of real estate, plants, and equipment	53,161,346.73	45,971,036.19
Special contingency reserves	16,598,644.22	15,000,000.00
Employes bonus (see Note A)	12,386,479.33	4,382,952.82
United States and foreign income and excess profits taxes—includes provision for United States excess profits taxes of $171,931,085.50 in 1941 and $40,766,505.55 in 1940	287,992,342.67	125,027,741.30
Total	$2,275,227,333.79	$1,635,085,638.92
Net Income for the Year	$ 201,750,205.39	$ 195,715,009.41
General Motors Corporation's Proportion of Net Income	$ 201,652,508.00	$ 195,621,720.63
Dividends on preferred capital stock—$5 series	9,178,220.00	9,178,220.00
Amount Earned on Common Capital Stock	$ 192,474,288.00	$ 186,443,500.63
Average number of shares of common capital stock outstanding during the year	43,366,660	43,165,398
Amount Earned Per Share of Common Capital Stock	$4.44	$4.32

Notes to Summaries of Consolidated Income and Surplus

NOTE A:

The provision for employes bonus consists of the following items:		
Employes bonus distributable in stock on basis of average daily closing market price of stock	$ 9,665,383.46	$ 11,136,977.29
Amounts provided for bonus payments in cash to employes of certain foreign subsidiaries	243,800.00	250,033.00
Amount not awarded for 1941 and carried forward in the bonus fund for future distribution	2,477,295.87	—
Total bonus fund for year (including amounts provided by subsidiaries not consolidated)	$ 12,386,479.33	$ 11,387,010.29
Less excess of bonus fund over cost of acquisition of treasury stock distributable as bonus (in 1941 the excess of $4,078,234.82 was credited to Capital Surplus)	—	7,004,057.47
Net amount of employes bonus distributable in cash and stock (in 1940 based upon cost of acquisition of stock to the Corporation)	$ 12,386,479.33	$ 4,382,952.82

Note A continues on following page.

GENERAL MOTORS CORPORATION
AND CONSOLIDATED SUBSIDIARIES
SUMMARY OF CONSOLIDATED SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 1941 AND 1940

EARNED SURPLUS

	Year 1941	Year 1940
Earned Surplus at beginning of year	$471,021,152.95	$446,442,575.81
Transfer to Capital Surplus of excess of award value over cost of treasury stock distributable as bonus for the year 1940 (see Note A)	7,004,057.47	—
Remainder	$464,017,095.48	$446,442,575.81
General Motors Corporation's Proportion of Net Income, per Summary of Consolidated Income	201,652,508.00	195,621,720.63
Earned Surplus before dividends	$665,669,603.48	$642,064,296.44
Less cash dividends paid or accrued:		
Preferred capital stock—$5 series	$ 9,178,220.00	$ 9,178,220.00
Common capital stock:		
Mar. 12 ($0.75 per share)	$ 32,532,335.89	$ 32,371,817.09
June 12 ($1.00 per share)	43,376,430.50	43,164,375.75
Sept. 12 ($1.00 per share)	43,376,435.75	43,164,376.75
Dec. 12 ($1.00 per share)	43,323,094.11	43,164,353.90
Total	$162,608,296.25	$161,864,923.49
Total cash dividends paid or accrued	$171,786,516.25	$171,043,143.49
Earned Surplus at end of year	$493,883,087.23	$471,021,152.95

CAPITAL SURPLUS

	Year 1941	Year 1940
Capital Surplus arising from the excess of award value over cost of treasury stock distributable as bonus (see Note A):		
Amount attributable to 1940 bonus	$ 7,004,057.47	$ —
Amount attributable to 1941 bonus	4,078,234.82	—
Capital Surplus at end of year	$ 11,082,292.29	$ —

Notes to Summaries of Consolidated Income and Surplus (continued)

NOTE A (continued from previous page): As a result of the position taken by the Securities and Exchange Commission during the year 1941, income in 1941 has been charged with the award value of the stock distributable as bonus (represented by the average daily closing market price of the stock during the year) and the excess of the award value over the cost of that stock has been credited directly to Capital Surplus; and an amount of $7,004,057.47, representing the excess of award value over cost of the stock distributable as bonus for 1940 and reflected in 1940 income, has been transferred from Earned Surplus to Capital Surplus in 1941.

In addition to the total amount of bonus provided out of consolidated income, there was awarded as bonus for 1941 the equivalent of $42,000.00 payable in foreign currencies, which amount was applicable to unremitted net income of foreign subsidiaries. Such bonus awards will be charged to the Corporation's bonus fund when unremitted net income is realized and included in the Corporation's consolidated income.

GENERAL NOTES: Since December 31, 1933 there has been excluded from net income such portion of the net income of foreign subsidiaries as could not be remitted because of foreign exchange restrictions. The amount so excluded from net income for the year 1941 was $1,333,876.27, based upon current or last quoted exchange rates. For further information regarding income from foreign sources, see page 60.

Earned Surplus includes $28,597,778.03 at December 31, 1941 and $24,773,179.99 at December 31, 1940 for net earned surplus of subsidiaries not consolidated; also $1,679,466.70 at December 31, 1941 and 1940 for earned surplus of companies in which a substantial but not more than 50% interest is held.

GENERAL MOTORS CORPORATION
AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1941 AND 1940

ASSETS

	Dec. 31, 1941	Dec. 31, 1940
Current Assets:		
Cash	$ 196,230,729.66	$ 282,924,743.20
United States Government securities:		
Short term—at cost	19,997,161.53	148,982,806.36
Tax notes—at cost	265,084,000.00	—
Other marketable securities—at cost	—	1,300,172.01
Sight drafts and C.O.D. items	3,114,130.82	8,522,686.99
Notes receivable	1,840,947.00	1,521,475.68
Accounts receivable and trade acceptances (less reserve for doubtful accounts: 1941, $1,432,067.49; 1940, $1,630,939.79)	171,025,429.01	116,093,800.33
Inventories—at cost or less, not in excess of market (in 1941 excludes $3,613,365.17 representing inventories held by the Corporation which have been billed to customers under cost-plus-a-fixed-fee contracts)	340,323,632.82	265,000,682.12
Total Current Assets	$ 997,616,030.84	$ 824,346,366.69
Investments and Miscellaneous Assets: (Schedule 1)		
Investments in subsidiary companies not consolidated	$ 215,913,878.18	$ 188,732,828.30
Other investments	43,246,452.50	42,376,574.81
Miscellaneous assets	8,722,825.41	11,090,652.71
Total Investments and Miscellaneous Assets	$ 267,883,156.09	$ 242,200,055.82
Capital Stock in Treasury:		
Held for corporate purposes (1941—211,740 shares common, $4,486,510.02; 39,722 shares $5 series no par preferred, $3,267,219.38)	$ 7,753,729.40	$ 8,541,816.13
Real Estate, Plants, and Equipment	$ 851,707,066.39	$ 814,219,268.42
Less reserve for depreciation	441,832,610.20	411,600,780.39
Net Real Estate, Plants, and Equipment	$ 409,874,456.19	$ 402,618,488.03
Prepaid Expenses and Deferred Charges	$ 13,800,132.28	$ 7,887,118.05
Goodwill, Patents, Etc.	$ 50,322,686.38	$ 50,322,686.38
TOTAL ASSETS	$1,747,250,191.18	$1,535,916,531.10

NOTES: Current receivables include: $13,424,704.11 at December 31, 1941 and $38,476,521.41 at December 31, 1940 of receivables from General Motors Acceptance Corporation representing principally in-transit items in connection with current financing of sales of the Corporation's products; $9,255,203.98 at December 31, 1941 and $6,158,485.92 at December 31, 1940 of current receivables from other subsidiary companies not consolidated; and $124,014.42 at December 31, 1941 and $45,811.93 at December 31, 1940 of receivables from officers and employes.

For information regarding foreign investments see page 64.

LIABILITIES, RESERVES, AND CAPITAL

	Dec. 31, 1941	Dec. 31, 1940
Current Liabilities:		
Accounts payable	$ 86,293,937.83	$ 105,065,753.34
Due to foreign banks	17,980,865.05	7,504,833.05
Taxes, payrolls, warranties, and sundry accrued items	82,314,517.57	66,419,578.63
Special deposits on government contracts	18,217,467.62	38,500,350.75
United States and foreign income and excess profits taxes	290,491,677.43	126,621,182.71
Dividends payable on preferred capital stock	2,294,555.00	2,294,555.00
Total Current Liabilities	$ 497,593,020.50	$ 346,406,253.48
Other Liabilities:		
Employes bonus (based upon cost of acquisition of stock distributable as bonus)	$ 5,587,148.64	$ 4,132,919.82
Taxes, warranties, and miscellaneous	18,414,160.80	18,253,700.07
Total Other Liabilities	$ 24,001,309.44	$ 22,386,619.89
Reserves:		
Employe benefit plans	$ 6,352,514.43	$ 6,930,665.04
Employes bonus (undistributed portion of 1941 fund)	2,477,295.87	—
Deferred income	5,875,551.58	3,340,471.70
Contingencies and miscellaneous:		
Allocable to foreign subsidiaries	25,427,545.13	24,418,769.21
General (including special reserves: 1941, $41,598,644.22; 1940, $25,000,000.00)	56,132,361.51	36,987,385.63
Total Reserves	$ 96,265,268.52	$ 71,677,291.58
Capital Stock and Surplus:		
Capital stock of General Motors Corporation:		
Preferred, no par value, stated value $100 per share (authorized, 6,000,000 shares; issued, 1,875,366 shares of $5 series)	$ 187,536,600.00	$ 187,536,600.00
Common, $10 par value (authorized, 75,000,000 shares; issued, 43,500,000 shares)	435,000,000.00	435,000,000.00
Total Capital Stock	$ 622,536,600.00	$ 622,536,600.00
Minority interest in preference stock of subsidiary company	1,888,613.20	1,888,613.20
Capital surplus	11,082,292.29	—
Earned surplus	493,883,087.23	471,021,152.95
Total Capital Stock and Surplus	$1,129,390,592.72	$1,095,446,366.15
TOTAL LIABILITIES, RESERVES, AND CAPITAL	$1,747,250,191.18	$1,535,916,531.10

CONTINGENT LIABILITIES: Claims in respect of back taxes, patent infringements and other matters incident to the ordinary course of business, together with other contingencies, involve amounts totaling approximately $6,500,000. There is no way of determining the amount for which these claims may eventually be settled but, in the opinion of management and counsel, amounts included in other liabilities and reserves on the books of the Corporation and its consolidated subsidiaries are adequate to cover all settlements that may be made.

Schedule 1

GENERAL MOTORS CORPORATION
AND CONSOLIDATED SUBSIDIARIES
INVESTMENTS AND MISCELLANEOUS ASSETS
DECEMBER 31, 1941 AND 1940

	Dec. 31, 1941	Dec. 31, 1940
Investments in Subsidiary Companies Not Consolidated:		
Wholly owned companies carried at net worth as shown by the books of the several companies:		
General Motors Acceptance Corporation	$112,007,771.57	$ 85,898,077.80
General Exchange Insurance Corporation	12,010,356.10	12,310,204.65
Subsidiary companies carried at cost adjusted to include the Corporation's proportion of undivided profits or losses since acquisition:		
Yellow Truck & Coach Manufacturing Company (includes $9,575,265.01 representing 7% preferred stock)	30,999,416.38	28,715,553.37
Vauxhall Motors Limited (see note)	19,081,745.13	19,037,397.86
Adam Opel A. G. (see note)	34,890,024.38	34,890,024.38
Automobile dealerships held by Motors Holding Division	6,406,705.78	7,592,870.24
Other	517,858.84	288,700.00
Total Investments in Subsidiary Companies Not Consolidated	$215,913,878.18	$188,732,828.30
Other Investments:		
Companies which are carried at cost adjusted to include the Corporation's proportion of undivided profits or losses at December 31, 1935, and net decreases in its equities since that date or net recoveries of losses absorbed to that date:		
Ethyl Gasoline Corporation	$ 16,414,832.87	$ 14,956,053.82
Bendix Aviation Corporation	12,273,020.99	12,273,020.99
North American Aviation, Inc.	4,510,611.12	4,510,611.12
Kinetic Chemicals, Inc.	652,617.87	652,617.87
National Bank of Detroit common stock (at cost)	6,375,000.00	6,433,250.76
GM Shares, Inc. common stock	394,407.91	394,407.91
Other	2,625,961.74	3,156,612.34
Total Other Investments	$ 43,246,452.50	$ 42,376,574.81
Miscellaneous Assets:		
Properties, land contracts and mortgages held by housing divisions (less reserves: 1941, $2,861,426.37; 1940, $2,686,470.69)	$ 5,165,545.89	$ 7,153,264.98
Cash and securities in excess of operating needs subject to exchange restrictions in foreign countries (less reserves: 1941, $2,359,498.36; 1940, $6,861,477.74)	1,545,254.34	2,913,103.86
Balances in closed banks (less reserves: 1941, $509,455.79; 1940, $500,000.00)	209,810.40	306,980.65
Other	1,802,214.78	717,303.22
Total Miscellaneous Assets	$ 8,722,825.41	$ 11,090,652.71
TOTAL INVESTMENTS AND MISCELLANEOUS ASSETS	$267,883,156.09	$242,200,055.82

NOTES: In recognition of foreign exchange restrictions, no effect has been given to the undistributed earnings of Vauxhall Motors Limited since December 31, 1939 or of Adam Opel A.G. since December 31, 1933.

The above schedule does not include investments in eight foreign subsidiaries not consolidated in 1941 and two not consolidated in 1940 which are offset by reserves.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
67 BROAD STREET
NEW YORK

March 10, 1942.

General Motors Corporation,
1775 Broadway,
New York.

Dear Sirs:

We have examined the Condensed Consolidated Balance Sheet of General Motors Corporation and consolidated subsidiaries as of December 31, 1941 and 1940, and the related Summaries of Consolidated Income and Surplus for the years ended those dates, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

In our opinion, the accompanying Condensed Consolidated Balance Sheet and related Summaries of Consolidated Income and Surplus fairly present the consolidated financial condition of the companies at December 31, 1941 and 1940, and the results of their operations for the years ended those dates, in conformity with generally accepted accounting principles and practices, which were applied on a basis consistent with that of the preceding year except as to the change explained in Note A to the Summaries of Consolidated Income and Surplus.

Yours truly,

HASKINS & SELLS

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

RESIDENT PARTNERS
HAROLD W. SCOTT, C. P. A.
CYRIL N. BULLOCK, C. P. A.

THE NATIONAL BANK BUILDING
DETROIT

ACCOUNTANTS' CERTIFICATE

GRAHAM-PAIGE MOTORS CORPORATION:

We have examined the consolidated balance sheet of Graham-Paige Motors Corporation and its subsidiary companies as of December 31, 1941 and the related statements of consolidated income and consolidated surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Except as to the omission of physical tests of work in process inventory as stated in the following paragraph, our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

The Company did not take a physical inventory of work in process at December 31, 1941 and we did not make physical tests of such inventory because it would have been necessary to stop production, which, in the Company's opinion, would have resulted in an interruption in the delivery of war materials. The work in process inventory is stated at the accumulated costs of uncompleted manufacturing orders, aggregating $915,746.26, less a reserve of $190,609.85. We examined the Company's accounting controls and records as to inventories, including those showing the costs of the individual manufacturing orders, and insofar as it could be determined without taking a physical inventory, the work in process inventory at December 31, 1941 appears to be fairly stated.

In our opinion, subject to the remarks in the preceding paragraph concerning the work in process inventory, the accompanying consolidated balance sheet and statements of consolidated income and consolidated surplus, with their footnotes, fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

March 9, 1942.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

THE NATIONAL BANK BUILDING
DETROIT

RESIDENT PARTNERS
HAROLD W. SCOTT, C.P.A.
CYRIL N. BULLOCK, C.P.A.

ACCOUNTANTS' CERTIFICATE

Hayes Manufacturing Corporation:

We have examined the consolidated balance sheet of Hayes Manufacturing Corporation and its subsidiary companies as of September 30, 1941 and the related statements of consolidated income, consolidated capital surplus, and consolidated deficit from operations for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

The inventories of finished goods and work in process represent the accumulated costs of specific manufacturing work orders. Included in the work in process inventories is $531,817.42 representing the total costs accumulated on manufacturing orders to September 30, 1941 under a contract and various supplements thereto covering the manufacture of aircraft parts at an aggregate contract price exceeding $5,500,000.00 and under certain additional orders from the same customer for other aircraft parts, tools, dies, engineering changes, etc. in connection therewith. In addition to material and labor, such inventories include all costs in connection with the development and production of aircraft parts, including substantial amounts for development work, tools and dies, engineering changes, etc., an undetermined portion of which will be billed to the customer under specific purchase orders and the remainder of which must be absorbed as a part of the cost of production of aircraft parts under the contract and orders mentioned above. Because the development and production of aircraft parts by the Company was in its early stages at September 30, 1941 and because, under the terms of the contract, adjustments to unit selling prices and additional billings for

ACCOUNTANTS' CERTIFICATE

(Continued)

engineering changes and tools and dies apparently will be necessary, it was not practicable for us to determine the ultimate profit or loss that will result from the Company's aircraft parts production under the contract and orders and consequently whether any adjustment was necessary to reflect any possible loss that might be involved in the aircraft work in process inventory valuation at that date. In the opinion of officers of the Company all costs incurred are recoverable either through specific billing to the customer or as a part of the costs under the contract and related purchase orders of the customer and the inventories are properly valued at the accumulated cost of development and manufacture. We have examined the records of accumulated costs and documentary evidence relating to these inventories and it appears that the opinion of the officers of the Company is reasonable.

In our opinion, subject to the remarks in the preceding paragraph concerning aircraft work in process inventories, the accompanying consolidated balance sheet and statements of consolidated income, consolidated capital surplus, and consolidated deficit from operations, with their footnotes, fairly present the financial condition of the companies at September 30, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS.

Detroit, Michigan,

December 5, 1941.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

THE NATIONAL BANK BUILDING
DETROIT

RESIDENT PARTNERS
HAROLD W. SCOTT, C. P. A.

CYRIL N. BULLOCK, C. P. A.

ACCOUNTANTS' CERTIFICATE

To the Stockholders of

Houdaille-Hershey Corporation:

We have examined the consolidated balance sheet of Houdaille-Hershey Corporation and its subsidiary companies as of December 31, 1941 and the related statements of consolidated income and surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and surplus fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

Haskins & Sells

February 27, 1942.

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS
1 CEDAR STREET
NEW YORK

RADIO AND CABLE ADDRESS
"ARTHYOUNG"

NEW YORK
CHICAGO
PITTSBURGH
KANSAS CITY
MILWAUKEE
LOS ANGELES
DALLAS
TULSA
LONDON, ENGLAND

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS
MACK TRUCKS, INC.
New York, N. Y.

We have examined the consolidated balance sheet of MACK TRUCKS, INC., AND SUBSIDIARIES as of December 31, 1941 and the statements of consolidated operations and consolidated surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Inventories of finished chassis and parts at branches were taken physically as in previous years. The procedure in regard thereto was approved and test-checked by us. Owing to production conditions arising from the war emergency, it was not practicable to halt production in order to take complete physical inventories at the factories as in previous years and, accordingly, to this extent the inventories used in the accounts are book inventories. Based on our knowledge of the book records of the Company's inventories and on the substantial test counts made this year by the Company under our supervision and direction, we are satisfied that the book inventories fairly state the amount of the inventories at December 31, 1941.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated operations and consolidated surplus, including the notations thereon, present fairly the consolidated position of Mack Trucks, Inc., and Subsidiaries at December 31, 1941 and the results of their consolidated operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
March 6, 1942

(Signed)
ARTHUR YOUNG & COMPANY

PRICE, WATERHOUSE & CO.

RESIDENT PARTNER:
A. J. BLOODSWORTH
CERTIFIED PUBLIC ACCOUNTANT

PENOBSCOT BUILDING

DETROIT

March 11, 1942

To the Board of Directors,
Packard Motor Car Company,
Detroit, Michigan.

We have examined the consolidated balance sheet of Packard Motor Car Company and its subsidiary companies as at December 31, 1941, and the statement of income for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

It has been the company's policy to take a complete physical inventory once a year but due to the war program it was not practicable to stop operations to take a physical inventory with respect to the accumulated unbilled costs of approximately $14,000,000 relating to aircraft engine contracts. We have satisfied ourselves as to the company's procedures and although we have not been able to make test checks of physical quantities, we are satisfied as to the substantial fairness of the amount at which the accumulated unbilled costs have been stated.

In our opinion, subject to the explanation in the foregoing paragraph relating to the scope of our examination, the accompanying consolidated balance sheet and related statement of income, together with the notes appended thereto, present fairly the position of Packard Motor Car Company and its subsidiary companies consolidated at December 31, 1941, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

To the Board of Directors,
Stewart-Warner Corporation:

We have examined the accompanying consolidated balance sheet of STEWART-WARNER CORPORATION (a Virginia Corporation) AND SUBSIDIARY COMPANIES as of December 31, 1941, and the statements of consolidated profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and surplus present fairly the position of Stewart-Warner Corporation and Subsidiary Companies at December 31, 1941, and the results of their operation for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois,
February 25, 1942.

ARTHUR ANDERSEN & CO.

LYBRAND, ROSS BROS. & MONTGOMERY

90 BROAD STREET
NEW YORK

TO THE STOCKHOLDERS,
CURTISS-WRIGHT CORPORATION:

We have examined the consolidated balance sheets of Curtiss-Wright Corporation and its Subsidiaries as of December 31, 1941 and 1940 and the related consolidated statements of income for the two years ended December 31, 1941 and earned surplus and capital surplus for the year 1941. We have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. Since physical inventories could not be taken at certain of the plants during the year 1941 without interrupting war production, our examination of these inventory accounts comprised a review of the supplemental procedures instituted by company employees in the absence of physical inventories, test counts of items in these inventories for comparison with production and other quantity records, and tests of the entries in the ledger accounts.

In our opinion, the accompanying consolidated balance sheets and related consolidated statements of income present fairly the consolidated position of the Corporation and its subsidiaries at December 31, 1941 and 1940 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis for those periods.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, April 10, 1942.

April 29, 1942.

To the Board of Directors and Stockholders,
Pan American Airways Corporation,
15 Exchange Place,
Jersey City, New Jersey.

Gentlemen:

We have examined the accompanying Consolidated Balance Sheet of Pan American Airways Corporation and Subsidiaries as at December 31, 1941 and the related Consolidated Profit and Loss, Surplus and Reserve for Self-Insured Risk Statements for the year ended December 31, 1941, have reviewed the methods of internal check and control and the accounting procedures of the companies and, without making a detailed audit of the records of transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate.

For purposes of the examination, members of our organization or other independent accountants acting as our representatives, have examined accounts at the accounting centers of the Corporation and its Subsidiaries within and without the United States. Confirmations have been obtained from outside sources as to cash, securities owned, notes payable and capital stock, confirmations have been obtained as to a substantial part of the accounts receivable either from debtors as to their liability or from depositories as to deposits of receipts, test examinations have been made of materials and supplies and of records of additions to capital assets and to reserves for depreciation; other balances have similarly been examined or tested by usual auditing procedures.

In our opinion, the accompanying Consolidated Balance Sheet and related Profit and Loss, Surplus and Reserve for Self-Insured Risk Statements present fairly the position of Pan American Airways Corporation and Subsidiaries as at December 31, 1941 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except as to non-deferment of 1941 estimated costs relating to certain services as outlined in Note 5, have been applied on a basis consistent with that of the preceding year.

Respectfully,

Loomis, Suffern & Fernald,

Certified Public Accountants.

ASSOCIATES INVESTMENT COMPANY
(Incorporated in Indiana)
AND WHOLLY-OWNED FINANCE SUBSIDIARIES

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1941

ASSETS

Cash on Hand and Demand Deposits		$ 11,127,929.11
Notes Receivable:		
Automobile (chattel mortgages or title contracts on passenger or commercial automobiles held as collateral): Retail instalment notes — approximately 86% mature within one year — instalments forty-five or more days past due amounted to $47,298.67	$82,347,019.11	
Wholesale notes	15,133,106.81	
Total automobile notes receivable	$97,480,125.92	
Other notes — domestic and industrial appliance lien notes, loans and rediscounted notes of dealers, finance companies, etc., notes with accounts receivable assignments held as collateral, instalment loans with chattel mortgages on automobiles held as collateral, F. H. A. (title I, class 1 and 2) insured loans, etc.	6,109,402.75	
Total notes receivable		103,589,528.67
Repossessed Automobiles (912 — valued at the balances due on the related notes receivable or less)		257,258.08
Accounts Receivable — Sundry		9,636.77
Investments in Subsidiary Companies Not Consolidated:		
Capital stock of Associates Building Company, wholly owned	$ 250,000.00	
Capital stock of Emmco Insurance Co., Inc., wholly owned except directors' qualifying shares	760,000.00	
Total investments in subsidiary companies not consolidated		1,010,000.00
Office Furniture and Equipment — Depreciated book value		84,631.98
Deferred Charges — Prepaid interest, etc.		206,241.91
Total		$116,285,226.52

Notes: 1. The Company's equity, as of December 31, 1941, in the net assets of its wholly-owned subsidiary, Associates Building Company, as shown in the books of the latter company, amounted to $271,540.27 more than the investment in the subsidiary as shown in this balance sheet, representing, generally, $401,612.37 of earnings of the subsidiary since acquisition (no dividends having been paid), less appreciation of $130,072.10 written off. The Company's equity in the capital stock and surplus of Emmco Insurance Co., Inc. and its subsidiary (consolidated) amounted to $1,758,432.91 at December 31, 1941 or $998,432.91 more than the investment as shown in this balance sheet. The Company's equity in Emmco Insurance Co., Inc. and its subsidiary (consolidated) has increased $1,124,098.31 as the result of net undistributed profits since dates of acquisition.

ASSOCIATES INVESTMENT COMPANY
(Incorporated in Indiana)
AND WHOLLY-OWNED FINANCE SUBSIDIARIES

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1941

LIABILITIES

Notes Payable (maturing within nine months, of which $70,098,100.00 mature within six months):		
Banks — including commercial paper	$71,953,000.00	
Subsidiary company not consolidated	102,000.00	
Others	763,700.00	
Total notes payable		$ 72,818,700.00
Reserves for Taxes, Accounts Payable, Etc.:		
Taxes — Federal income and excess profits, state, local, excise, etc.	$ 2,118,882.48	
Accrued interest on notes payable	15,166.52	
Subsidiary insurance company not consolidated	108,181.83	
Sundry	93,286.09	
Total reserves for taxes, accounts payable, etc.		2,335,516.92
Funds Withheld from Dealers, Generally Held Until Collection of the Related Notes Receivable		1,126,865.01
Reserve for Losses on Receivables and Repossessed Automobiles		2,749,687.26
Unearned Income		4,670,646.69
Five Year 1-3/4% Notes Payable, Due August 8, 1944		6,000,000.00
Capital Stock and Surplus:		
5% cumulative preferred stock, redeemable at $105.00 per share upon thirty days' notice, plus accumulated dividends — authorized, 98,700 shares, less 1,815 shares held in treasury, not reissuable; outstanding, 96,885 shares of $100.00 par value each	$ 9,688,500.00	
Common capital stock (including capital surplus) — authorized, 750,000 shares of no par value; issued, 456,747 shares, less 12,029 shares (cost $281,159.02) held in treasury; outstanding, 444,718 shares	2,818,741.45	
Earned surplus (see Note 2)	14,076,569.19	
Total capital stock and surplus		26,583,810.64
Total		$116,285,226.52

2. The loan agreement relating to the Five Year 1-3/4% Notes Payable, as amended on April 1, 1940, provides that the Company may not redeem or purchase or otherwise acquire preferred stock if such action would reduce the consolidated surplus of the Company and its finance subsidiaries below $8,419,396.87. Under certain of the terms of the above-mentioned loan agreement, as amended, and an amendment to the Company's Articles of Reorganization the Company may purchase its common stock or pay dividends (other than stock dividends) on its common stock only to the extent that its earned surplus exceeds $10,484,716.74.

ASSOCIATES INVESTMENT COMPANY

AND WHOLLY-OWNED FINANCE SUBSIDIARIES

SUMMARY OF CONSOLIDATED INCOME AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1941

Gross Income From Operations—Earned discount, interest, etc.		$10,827,616.76
Operating Expenses:		
Salaries	$2,483,640.48	
Branch office expenses	994,798.58	
Provision for losses on receivables and repossessed automobiles	1,532,892.93	
Other operating expenses (including bank service charges of $48,655.06)	601,625.84	5,612,957.83
Net Income From Operations		$ 5,214,658.93
Other Income Credits:		
Dividends received from subsidiary insurance company not consolidated	$ 240,000.00	
Sundry	18,506.51	258,506.51
Gross Income		$ 5,473,165.44
Income Charge — Interest on notes payable and other obligations		1,047,586.70
Net Income Before Provision For Federal Income and Excess Profits Taxes		$ 4,425,578.74
Provision For Federal Income and Excess Profits Taxes:		
Income	$1,651,924.98	
Excess profits	210,000.00	1,861,924.98
Net Income		$ 2,563,653.76
Deduct Cash Dividends Paid on Preferred Capital Stock		489,166.25
Remainder — Before deducting dividends paid on common capital stock		$ 2,074,487.51
Deduct Cash Dividends Paid on Common Capital Stock		1,137,356.50
Remainder — Undistributed net income for the year		$ 937,131.01
Earned Surplus, January 1, 1941		13,139,438.18
Earned Surplus, December 31, 1941		$14,076,569.19

COMMON CAPITAL STOCK (INCLUDING CAPITAL SURPLUS)

Balance, January 1, 1941	$ 3,080,392.75
Add — Discount, less commission, on purchase of 1,815 shares of 5% cumulative preferred stock	19,507.72
Total	$ 3,099,900.47
Deduct — Cost of 12,029 shares of common capital stock purchased during the year and held in treasury	281,159.02
Balance, December 31, 1941	$ 2,818,741.45

Notes: 1. The net income *as shown above* does not include the parent company's equity in the undistributed net income for the year of non-consolidated companies, as follows:

Associates Building Company	$ 16,780.10
Emmco Insurance Co., Inc. and its subsidiary (consolidated)	217,099.01

2. The Company's method of computing unearned income was changed in July 1940 to a more conservative basis for ascertaining the earned portion thereof; the basis adopted in July 1940 was continued during the year 1941.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

HARRIS TRUST BUILDING
CHICAGO

ACCOUNTANTS' CERTIFICATE

Associates Investment Company:

We have examined the consolidated balance sheet of Associates Investment Company and wholly-owned finance subsidiaries as of December 31, 1941 and the related summary of consolidated income and surplus for the year ended that date. We have also examined the balance sheets of the non-consolidated subsidiaries, Associates Building Company (a wholly-owned subsidiary) and of Emmco Insurance Co., Inc. (a wholly-owned subsidiary except for directors' qualifying shares) and its subsidiary, as of December 31, 1941 and the related summaries of income and surplus for the year ended that date. In connection therewith, we have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

In our opinion, the accompanying balance sheets and summaries of income and surplus fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year except as stated in Note 2 of the accompanying summary of consolidated income and surplus of Associates Investment Company and wholly-owned finance subsidiaries.

HASKINS & SELLS.

Chicago,
February 4, 1942.

(Auditors' Certificate)

F. W. LAFRENTZ & CO.

CERTIFIED PUBLIC ACCOUNTANTS

100 BROADWAY - NEW YORK

February 7, 1942

CHAIRMAN OF THE BOARD AND DIRECTORS,
COMMERCIAL CREDIT COMPANY,
BALTIMORE, MARYLAND.

Dear Sirs:

We have examined the balance sheets of, (a) Commercial Credit Company consolidated with its subsidiary companies, (b) American Credit Indemnity Company of New York, and (c) Calvert Fire Insurance Company, all as of December 31, 1941, and the related statements of operations and surplus for the year ended that date; have reviewed the systems of internal audit control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. In our opinion, our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and it included all procedures which we considered necessary. Due to the system of internal audit and control and the large number of notes and accounts receivable, we did not deem it necessary to examine and confirm by direct correspondence with the respective debtors each individual note or account, our examination thereof being limited to such test checks of the notes and partial confirmations by correspondence with the debtors as was necessary to satisfy ourselves as to the accuracy of the records relating thereto.

The accompanying consolidated statements do not include those of Gleaner Harvester Corporation, in which company Commercial Credit Company owns 59.22% of the capital stock, as such investment is deemed to be of a temporary nature. The investment ($520,448) in this company is carried at $700,000 less than the value thereof based upon limited "over the counter" market quotations at December 31, 1941.

The consolidated balance sheet includes, at par, Canadian assets of $9,328,569.59; Canadian liabilities and reserves for losses and deferred income of $3,288,420.38, or net assets of $6,040,149.21. Reserves for Canadian exchange fluctuations have been provided in an amount sufficient to reduce these net assets to the current rate of exchange prevailing at December 31, 1941. The reserves for Canadian exchange fluctuations have been provided by charges to profit and loss, except that the amounts necessary to reduce Commercial Credit Company's investment in its Canadian subsidiary to current rates have been charged to earned surplus.

We were assured that the companies have no material contingent liabilities and that the litigation pending against the companies is of the usual character incidental to the business transacted by them except as to a few cases in each of which liability is denied. Federal income tax returns for all years prior to 1940 have been examined by the Internal Revenue Department and there are no additional taxes not provided for by reserves.

A Retirement Annuity Plan for the officers and employes of the Company and its subsidiaries was adopted by the Board of Directors on November 27, 1940 and approved and ratified by the Stockholders of the Company at the annual meeting on February 27, 1941. As a result thereof, the companies appropriated from earned surplus $1,800,000 to provide for; $1,670,528.39 paid under contract with the Metropolitan Life Insurance Company and with Canadian Government for past service benefits of their employes; and $129,471.61 deposited with the Retirement Committee of three directors, not active officers, selected by the Board of Directors, for future use in special cases. Earned Surplus has been credited with $494,516.25, representing the amount of Federal Income tax savings as a result of such payments, leaving a total net cost of $1,305,483.75.

In our opinion, the accompanying consolidated balance sheet and related statements of operations and surplus, present fairly the consolidated position of Commercial Credit Company and its subsidiary companies as of December 31, 1941, and the results of their consolidated operations for the year ended that date, and the accompanying balance sheets of American Credit Indemnity Company of New York and Calvert Fire Insurance Company present fairly the position of those companies as of December 31, 1941, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Comparative figures for prior years are taken from our reports of examination for such years. Operations of subsidiaries are included from dates of acquisition only.

Respectfully submitted,

F. W. LAFRENTZ & CO.

Certified Public Accountants.

COMMERCIAL INVESTMEN
AND SUBSIDIAI

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:		
Cash on hand and in banks		$ 66,346,375.45
Notes and accounts receivable:		
(due prior to December 31, 1942 and in the case of instalment obligations, including instalments due thereafter)		
Retail motor vehicle instalment lien obligations	$312,035,356.58	
Other instalment obligations, secured by liens or guarantees	137,069,526.47	
Wholesale lien notes and acceptances:		
Motor vehicle	71,349,651.75	
Other	1,536,644.79	
Receivables held by factoring subsidiaries	63,712,506.60	
		585,703,686.19
Marketable securities (quoted market price $3,560,249.79) of which $258,469.54 were deposited for purposes required by insurance and banking laws		3,522,383.08
Miscellaneous accounts receivable		1,854,877.93
Repossessed motor vehicles and other products, written down to realizable amounts		368,549.82
TOTAL CURRENT ASSETS		$657,795,872.47
CAPITAL STOCK OF NATIONAL SURETY CORPORATION, a wholly owned subsidiary (see financial statements on pages 12 and 13 herein)		11,531,000.00
MISCELLANEOUS INVESTMENTS and notes and accounts receivable, at cost, or less than cost		1,238,589.56
DEFERRED CHARGES:		
Interest and discount	$ 716,867.62	
Miscellaneous	277,031.16	
		993,898.78
FURNITURE AND FIXTURES, at nominal amount		6.00
		$671,559,366.81

T TRUST CORPORATION
RY COMPANIES

SHEET, DECEMBER 31, 1941

LIABILITIES, CAPITAL AND SURPLUS

Current Liabilities:			
Notes payable, including bearer commercial paper			$359,072,140.84
Accounts payable, including federal, state and other government taxes on income for the year 1941			15,251,279.29
Dividends payable, January 1, 1942			2,756,325.78
Credit balances of manufacturers and selling agents, held by factoring subsidiaries			18.265,678.62
Dealers' reserves			11,442,911.27
Interest accrued on non-current indebtedness			314,350.33
Total Current Liabilities			$407,102,686.13
Non-Current Indebtedness:			
1½% Notes, due 1943-1944		$ 17,475,000.00	
1¾% Notes, due 1943-1946		52,500,000.00	
2% Notes, due 1947 and 1951		35,000,000.00	
			104,975,000.00
Deferred Income—portion of charges on receivables acquired to be included in future gross earnings and including $3,751,177.07 unearned premiums of Service Fire Insurance Company			33,690,134.53
Reserves Against Losses and Contingencies—including $670,716.27 reserves for pending claims against Service Fire Insurance Company			7,904,594.12
Reserves for Retirement Benefits for Past Service of Employees			723,651.38
Minority Interest—Directors' Qualifying Shares of Subsidiary			8,547.86
Capital Stock and Surplus:			
Capital Stock:			
Serial Preference Stock:			
Authorized, 500,000 shares of no par value:			
$4.25 Series of 1935, convertible:			
Authorized, issued and outstanding 95,441 shares at the stated value of $100.00 each	$ 9,544,100.00		
Less held in treasury, 500 shares at the stated value of $100.00 each	50,000.00		
		$ 9,494,100.00	
Common Stock:			
Authorized, 4,000,000 shares of no par value (143,161 shares reserved for conversion of $4.25 Preference Stock and 41,037 shares reserved for outstanding options)			
Issued and outstanding, 3,586,021 shares at the stated value of $15.00 each	$53,790,315.00		
Less held in treasury, 46,133 shares at the stated value of $15.00 each, of which 750 shares are held for outstanding options	691,995.00		
	$53,098,320.00		
Common stock capital arising out of conversion of preference shares	1,262,479.27		
Common stock scrip outstanding, equivalent to 49 shares and 165/208 of a share	746.90		
		54,361,546.17	
		$ 63,855,646.17	
Surplus:			
Earned Surplus	$24,349,352.23		
Paid-in Surplus	28,949,754.39		
		53,299,106.62	
			117,154,752.79
			$671,559,366.81

COMMERCIAL INVESTMENT TRUST CORPORATION
AND SUBSIDIARY COMPANIES

CONSOLIDATED INCOME ACCOUNT
FOR THE YEAR 1941

Net service, premiums and commissions earned, after providing reserves for losses and contingencies		$53,376,787.78
Operating expenses	$23,993,659.85	
Interest on current indebtedness	3,476,773.61	27,470,433.46
Operating profit		$25,906,354.32
Dividends received from National Surety Corporation (a wholly-owned subsidiary, not consolidated)	$ 1,000,000.00	
Miscellaneous income	295,644.85	1,295,644.85
		$27,201,999.17
Interest on non-current indebtedness		1,892,266.76
		$25,309,732.41
Provision for:		
Federal income taxes	$ 8,275,306.79	
Federal excess profits taxes	500,000.00	
Federal capital stock taxes	342,602.08	9,117,908.87
Net consolidated income		$16,191,823.54
Undistributed net income of National Surety Corporation and its subsidiary (excluding unrealized gain or loss from changes in market price of securities), as shown on page 13		1,132,486.10
Combined net earnings applicable to stock of Commercial Investment Trust Corporation		$17,324,309.64

Canadian earnings of $260,067.91 included above are after deduction of $28,607.76 Canadian exchange depreciation.

COMMON STOCK OPTIONS

At December 31, 1941 there were outstanding options in respect of stock held in the treasury to purchase from the Corporation 750 shares of common stock at an average price of $41.00 per share, the lowest price being $35.00 per share and there were outstanding options in respect of unissued stock to purchase from the Corporation 41,037 shares of common stock at $32.00 per share. All options expire prior to January 1, 1944.

COMMERCIAL INVESTMENT TRUST CORPORATION
AND SUBSIDIARY COMPANIES

CONSOLIDATED SURPLUS ACCOUNT
YEAR ENDED DECEMBER 31, 1941

EARNED SURPLUS:		
Balance, January 1, 1941		$23,480,082.73
Add:		
Net income, year ended December 31, 1941, after providing for interest and taxes, for all known losses, credit reserves and contingencies (which together with $1,132,486.10 undistributed net income of National Surety Corporation and its subsidiary results in combined net earnings of $17,324,309.64)	$16,191,823.54	
Deduct Dividends on Serial Preference Stock: $4.25 Series of 1935	405,624.24	
Earned on common stock (which together with balance of undistributed net earnings of National Surety Corporation and its subsidiary as shown on page 13, results in total earned on common stock of $16,918,685.40*)		15,786,199.30
Total		$39,266,282.03
Deduct:		
Cash dividends on common stock in hands of public	$13,274,557.50	
Provision for reserve for estimated total cost of retirement benefits for past service of employees	1,642,372.30	14,916,929.80
Total Earned Surplus, December 31, 1941		$24,349,352.23
PAID-IN SURPLUS:		
Balance, January 1, 1941		$28,944,179.37
Add:		
Additional paid-in surplus in respect of Corporation's common capital stock		10,998.00
		$28,955,177.37
Deduct:		
Miscellaneous		5,422.98
Total Paid-in Surplus, December 31, 1941		$28,949,754.39
TOTAL SURPLUS, DECEMBER 31, 1941		$53,299,106.62

* Equal to $4.78 per share on 3,539,888 shares of common stock outstanding in the hands of the public at December 31, 1941.

Auditors' Report

COMMERCIAL INVESTMENT TRUST CORPORATION

AND SUBSIDIARY COMPANIES

New York, N. Y.,
February 14, 1942.

Commercial Investment Trust Corporation:

We have examined the accompanying consolidated balance sheet of Commercial Investment Trust Corporation (Delaware) and subsidiary companies as at December 31, 1941, and the related consolidated statements of income and surplus for the year ended December 31, 1941, together with the accounts of the Companies, have reviewed the system of internal control and the accounting procedure of the Companies, and, without making a detailed audit of the transactions, have examined or tested accounting records of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The consolidated financial statements of National Surety Corporation and its wholly-owned subsidiary, examined by Joseph Froggatt & Co., Inc., for the same period, were reviewed and accepted by us and have not been consolidated with the statements of Commercial Investment Trust Corporation and this investment is stated at the amount of the cash consideration paid therefor, exclusive of contributed surplus.

The cash has been confirmed by direct correspondence with the banks. We made sufficient tests of notes and accounts receivable, by reference to ledgers, direct communication with the debtors, and examination of the underlying notes and documents to be of the opinion that the receivables are correctly stated and that the lien receivables are properly covered by respective lien documents. Instalment receivables have been stated at the net amount thereof after deduction of amounts withheld from dealers at the time of purchase. Included in receivables are amounts due from dealers, which represented 32/100 of 1% of the total retail motor vehicle instalment lien obligations and 2/100 of 1% of the total other instalment lien obligations. These accounts, in our opinion, are good and collectible and were covered by liens on motor vehicles and other products returned to dealers, for which they were under contractual repurchase responsibility. The marketable securities were examined and found to be in order or were confirmed by certificates received directly from the bank holding them for safekeeping and have been stated at not in excess of amortized amounts or quoted market prices. The miscellaneous accounts receivable were examined by us and, in our opinion, are good and collectible. There were at December 31, 1941 in the Companies' possession, or under their control without dealer liability, motor vehicles and other products which are carried at depreciated realizable amounts, aggregating $368,549.82, based on physical appraisals made by the management during the month of December, 1941; included in this classification are all cases where dealers' responsibility is questionable.

Securities representing the Corporation's common stock owned, purchased through paid-in surplus, were confirmed by certificate received directly from the bank holding them for safekeeping, and securities representing other investments were examined and found to be in order. The accuracy of prepaid items has been checked and, in our opinion, they are proper charges to future operations.

Confirmations have been obtained in proof of the accuracy of the notes payable, except bearer commercial paper which has been confirmed by examination of records. All known liabilities have been reflected in the balance sheet and, in our opinion, ample provision has been made for the ascertainable amount of all taxes on income. Deferred income is stated on the same basis as in the year 1940 and, in our opinion, represents a conservative deferring of income for future operations.

The records have been examined in proof of the Companies' established policy of charging off all losses as they develop, and, in our opinion, all accounts deemed uncollectible have been charged off and the reserves against losses and contingencies are adequate to provide for losses which may be incurred with respect to the outstanding notes and accounts receivable. The Canadian assets and liabilities, which net assets aggregate $3,498,924.98, have been included in the accompanying consolidated balance sheet at the realizable Canadian exchange rate which prevailed on December 31, 1941.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and surplus present fairly the consolidated position and the consolidated result of operations of the Corporation and its subsidiary companies at the date and for the period stated, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN & CO.,
Certified Public Accountants.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

General Motors Acceptance Corporation:

We have examined the consolidated balance sheet of General Motors Acceptance Corporation and its consolidated subsidiaries as of December 31, 1941 and the related summaries of consolidated income and of undivided profits for the year 1941, have reviewed the accounting procedures of the Companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

In our opinion, the accompanying consolidated balance sheet, and related summaries of consolidated income and of undivided profits, fairly present the consolidated financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York, March 2, 1942.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

HARRIS TRUST BUILDING
CHICAGO

ACCOUNTANTS' CERTIFICATE

Household Finance Corporation:

We have examined the consolidated balance sheet of Household Finance Corporation and its subsidiary companies as of December 31, 1941 and the related summaries of consolidated income and surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied, by tests, at times and to the extent we deemed appropriate in view of the systems of internal control.

In our opinion, the accompanying consolidated balance sheet and summaries of consolidated income and surplus fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

Chicago,
January 26, 1942.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

418 OLIVE STREET
SAINT LOUIS

ACCOUNTANTS' CERTIFICATE

ANHEUSER-BUSCH, INCORPORATED:

We have examined the consolidated balance sheet of Anheuser-Busch, Incorporated and its subsidiaries (August A. Busch & Co., Incorporated, August A. Busch & Co. of Massachusetts, Inc., and Southern Syrup Company, Inc.) as of December 31, 1941 and the related summary of consolidated income and earned surplus for the year ended that date, have reviewed the accounting procedures of the Companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

As of December 31, 1941, Anheuser-Busch, Incorporated adopted the "last-in, first-out" method of valuing inventories of raw materials, bottles, and beer in process, which resulted in a reduction in net income, after income and excess profits taxes, of approximately $150,000.00 below the amount which would have resulted from the continued use of the former basis of valuation.

In our opinion, the accompanying consolidated balance sheet and summary of consolidated income and earned surplus fairly present the financial condition of the Companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year, except for the change made in the basis of valuing inventories referred to in the preceding paragraph.

HASKINS & SELLS

February 28, 1942.

AUDITORS' REPORT

To the Board of Directors of

Crown Cork & Seal Company, Inc.:

We have examined the consolidated balance sheet of Crown Cork & Seal Company, Inc., and its wholly-owned domestic subsidiary companies as at December 31, 1941, and the consolidated statements of income and surplus for the year 1941, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the financial statements (pages 12 to 17) present fairly the consolidated position of Crown Cork & Seal Company, Inc., and its wholly-owned domestic subsidiary companies at December 31, 1941, and the consolidated results of their operations for the year 1941, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY.

Baltimore, Maryland,
March 17, 1942.

NATIONAL DISTILLERS PRODUCTS CORPORATION
AND WHOLLY OWNED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1941 AND DECEMBER 31, 1940

ASSETS

	1941	1940
Current Assets:		
Cash	$ 2,680,119	$ 1,938,284
Notes and accounts receivable	28,049,482	22,552,945
after deducting reserves for: (1941 / 1940)		
Doubtful accounts and allowances ... $300,000 / $300,000		
Deferred profit on certain long-term sales ... — / 212,700		
Inventories of matured and new spirits at cost and other products, materials and supplies at cost or market, whichever is lower	40,817,617	36,278,236
Total current assets	$71,547,218	$60,769,465
Investments in and advances to affiliated companies (including Train & McIntyre Limited, of Scotland: 1941 — $3,381,417; 1940 — $3,380,372) and miscellaneous investments—at cost, less reserve	$ 5,648,521	$ 5,927,924
Deferred Charges:		
Unamortized debenture discount and expense	$ 370,065	$ 442,528
Prepaid insurance and other deferred charges	530,692	532,282
	$ 900,757	$ 974,810
Land, Buildings, Machinery and Equipment	$18,724,762	$17,518,556
Less—Reserve for depreciation	5,516,235	4,965,331
	$13,208,527	$12,553,225
(Properties acquired prior to 1933 at values as appraised in 1924 and 1927 and properties acquired in 1933 and 1935 at values as approved by the Board of Directors, together with additions thereto at cost)		
	$91,305,023	$80,225,424

LIABILITIES

	1941	1940
Current Liabilities:		
Bank loans	$ 8,750,000	$ 1,750,000
Accounts and notes payable	2,017,082	1,441,389
Accrued liabilities	2,467,111	1,942,014
Due to affiliated companies	674,443	891,622
Dividend payable—February 1	1,022,724	1,022,724
Reserve for additional compensation plan	403,148	364,379
Debentures redeemable within one year	916,000	883,000
Reserve for Federal income and capital stock taxes	3,158,535	2,152,033
Total current liabilities	$19,409,043	$10,447,161
Ten-Year Convertible 3½% Debentures, due March 1, 1949 (less principal amount redeemable within one year)	$20,192,000	$21,108,000
Capital Stock and Surplus:		
Common stock without nominal or par value:		
Authorized—3,000,000 shares		
Issued —2,045,451 shares	$28,175,651	$28,175,651
Earned surplus (per statement attached)	23,528,329	20,494,612
	$51,703,980	$48,670,263
	$91,305,023	$80,225,424

The Corporation's equity in companies controlled by majority stock ownership and not consolidated has been decreased since dates of acquisition as a result of profits, losses and distributions by approximately $215,000 to December 31, 1940 and $187,000 to December 31, 1941.

NATIONAL DISTILLERS PRODUCTS CORPORATION
AND WHOLLY OWNED SUBSIDIARY COMPANIES

Consolidated Statement of Profit and Loss
For the Years Ended December 31, 1941 and December 31, 1940

	1941	1940
Net sales of whiskey and other commodities	$96,814,098	$79,650,785[1]
Less—Cost of Sales (Depreciation provided: 1941—$661,731; 1940—$601,859)	75,055,097	59,628,229[1]
Gross profit on sales	$21,759,001	$20,022,556
Miscellaneous income and deferred profit realized	627,767	748,911
	$22,386,768	$20,771,467
Selling, advertising, distributing, administrative and general expenses	11,109,368	10,973,796
	$11,277,400	$ 9,797,671
Deduct:		
Interest on debentures	$ 750,843	$ 772,917
Amortization of debenture discount and expense	72,464	76,052
Other interest charges	115,589	9,990
	$ 938,896	$ 858,959
	$10,338,504	$ 8,938,712
Provision for Federal income and capital stock taxes (no excess profits taxes payable)	3,238,848	2,226,750
Profit for the year, carried to earned surplus	$ 7,099,656	$ 6,711,962

NOTE 1: "Net sales of whiskey and other commodities" and "Cost of sales" previously reported for the year 1940 have been increased in the above statement by $8,723,137, representing Federal withdrawal tax paid by the Corporation and billed to customers upon withdrawal from bond of whiskey previously sold under bottling contracts, to conform to the treatment of such tax in the accounts for the year 1941.

NOTE 2: The Corporation's proportion of the net earnings of companies controlled by majority stock ownership and not consolidated, less dividends received, was as follows: 1941, $28,000; 1940, $145,000.

NATIONAL DISTILLERS PRODUCTS CORPORATION
AND WHOLLY OWNED SUBSIDIARY COMPANIES

Consolidated Statement of Earned Surplus
For the Years Ended December 31, 1941 and December 31, 1940

	1941	1940
Balance at beginning of year	$20,494,612	$17,873,546
Profit for the year	7,099,656	6,711,962
	$27,594,268	$24,585,508
Less—Dividends declared	4,065,939	4,090,896
Balance at end of year, per balance sheet	$23,528,329	$20,494,612

PRICE, WATERHOUSE & CO.
56 PINE STREET

NEW YORK, February 25, 1942.

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
NATIONAL DISTILLERS PRODUCTS CORPORATION:

We have examined the consolidated balance sheet of National Distillers Products Corporation and wholly owned subsidiary companies as at December 31, 1941 and the consolidated statements of profit and loss and earned surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and earned surplus present fairly the position of National Distillers Products Corporation and wholly owned subsidiary companies consolidated at December 31, 1941 and the results of their operations for the year, in conformity with generally accepted accounting principles, which (except for the classification of certain taxes referred to in Note 1 to the Statement of Profit and Loss) were applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

PRINTED IN U.S.A.

ALPHA PORTLAND CEMENT COMPANY

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

22 EAST 40TH STREET
NEW YORK

Accountants' Certificate

Alpha Portland Cement Company:

We have examined the balance sheet of Alpha Portland Cement Company (a New Jersey corporation) as of December 31, 1941 and the related summaries of net income and surplus for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. Our examination of inventories included physical tests of quantities.

In our opinion, the accompanying balance sheet and related summaries of net income and surplus are in agreement with the general books of the Company and fairly present its financial condition at December 31, 1941 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

January 20, 1942

ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders
ARMSTRONG CORK COMPANY
Lancaster, Pa.

We have examined the Consolidated Balance Sheet of Armstrong Cork Company and its Domestic Subsidiaries as of December 31, 1941, and the related Statements of Consolidated Income and Surplus for the year 1941, have reviewed the system of internal control and the accounting procedures of the Company and its Domestic Subsidiaries and, without making a detailed audit of their transactions, have examined or tested accounting records of said companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Physical inventories were taken at various dates, principally during the latter part of the year. We reviewed the plan and system of control adopted for inventory purposes and observed the taking of the inventories with respect to certain of the items selected by us, thereby satisfying ourselves that the methods of taking and recording the quantities were carried out effectively. The accounts and notes receivable were confirmed on a test basis by direct communication with debtors.

The basis upon which the Company's net investment in foreign subsidiaries is stated is set forth in Note 2 to the Financial Statements. As in past years, we examined the accounts of the English and Canadian Subsidiaries for the year and the accounts of the Spanish Subsidiary have been examined by Messrs. Barton, Mayhew & Co., Chartered Accountants. The investment in the French Subsidiary is stated on the basis of unaudited financial statements for the eleven months ended November 30, 1941. No provision has been made for losses which may result from the present war.

In our opinion, subject to the ultimate adequacy of the reserves provided against the Company's Investments in and Advances to Foreign Subsidiaries in the light of the present war, as to which we are not in a position to express an opinion, the accompanying Consolidated Balance Sheet and related Statements of Consolidated Income and Surplus present fairly the consolidated position of Armstrong Cork Company and its Domestic Subsidiaries as of December 31, 1941 and the results of the operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York
February 21, 1942

PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants

ARMSTRONG CORK COMPANY

CONSOLIDATED

AS OF DECE

ASSETS

Current Assets:			
Cash in Banks and on Hand			$4,420,569
U. S. Government Securities at Lower of Cost or Market—Quoted Market $246,962 ($130,000 deposited in escrow in lieu of surety bonds)			246,962
Accounts and Notes Receivable:			
Customers		$9,142,291	
Miscellaneous		367,806	
		9,510,097	
Less Reserves for Doubtful Accounts and Discounts		645,802	8,864,295
Due from Foreign Subsidiaries—Current Accounts			29,666
Inventories: (See Note 1)			
Raw Materials		7,259,326	
Work in Process		3,361,971	
Finished Stock		7,016,762	
Supplies		1,172,576	18,810,635
Total Current Assets			32,372,127
Notes and Accounts Receivable—Non-current		130,454	
Less Reserve		14,405	116,049
Prepaid Insurance, Advertising Supplies, Taxes, etc.			712,861
Investments in and Advances to Foreign Subsidiaries: (See Note 2)			
Capital Stocks—at Cost		5,981,738	
Advances		419,682	
		6,401,420	
Less Reserves		2,050,394	4,351,026
Other Investments at Cost		538,148	
Less Reserve		193,143	345,005
Property, Plant and Equipment, at Cost:			
Land		1,114,283	
Buildings		20,454,497	
Machinery and Equipment		24,911,201	
		46,479,981	
Less:			
Reserve for Depreciation	$19,328,068		
Reserve for Revaluation effected as of January 1, 1933—Balance	2,774,311	22,102,379	24,377,602
Paid-up Licenses and Rentals on Leased Machinery		671,997	
Less Reserve for Amortization		293,970	378,027
Goodwill, Trade-marks, and Patents			1
			$62,652,698

(*See Accompanying Notes to*

AND DOMESTIC SUBSIDIARIES

BALANCE SHEET

MBER 31, 1941

LIABILITIES

Current Liabilities:				
Accounts Payable				$3,303,318
Accrued Expenses				812,737
Due to Foreign Subsidiaries				707,838
Provision for State Income, Capital Stock and Other Taxes				468,051
Provision for Federal Income and Excess Profits Taxes				3,565,814
Total Current Liabilities				8,857,758
Reserve for Wage Earners' Unemployment Benefits				500,000
Capital Stock and Surplus:				
Preferred Stock—Four Per Cent Cumulative Convertible:				
Authorized 60,000 shares of $100.00 par value each				
Issued and Outstanding 52,994 shares			$5,299,400	
Common Stock:				
Stated Capital applicable to Authorized Shares without Par Value	1,624,693 Shares	$8,123,465		
Unissued (including shares reserved for conversion of Preferred Stock)	213,827.18 Shares			
Outstanding	1,410,865.82 Shares	$8,123,465		
Surplus:				
Paid-in Surplus	$26,383,324			
Earned Surplus	13,488,751	39,872,075	47,995,540	
Capital Stock and Surplus				53,294,940
Contingent Liabilities:				
Guarantees of Obligations of Others, Bills Discounted, etc.		$85,060		
				$62,652,698

George M. Arisman
Controller

Financial Statements—Page 21)

ARMSTRONG CORK COMPANY
AND DOMESTIC SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME
For the Years Ended December 31, 1941 and 1940

	1941	1940
Net Sales	$78,619,683	$57,353,703
Cost of Sales, exclusive of Depreciation	55,670,205	41,136,434
Gross Profit from Operations, before Depreciation	22,949,478	16,217,269
Selling and Administrative Expense, exclusive of Depreciation	10,582,452	8,914,166
Net Profit from Operations, before Depreciation	12,367,026	7,303,103
Add:		
Income from Marketable and Other Securities, Recovery on Salvage Materials and Sundry Non-Operating Income	321,611	242,405
Gain on sale of Marketable Securities and recoveries on other investments previously reduced to nominal value	74,620	19,972
	12,763,257	7,565,480
Deduct:		
Provision for Depreciation and Amortization (including Obsolescence)	2,140,489	1,737,891
Purchase of Annuities for Retired Employees	1,928,109	
Loss on Sale of Buildings and Equipment	372,342	
Provision for Loss on Sundry Investments, etc.	12,497	87,482
Federal and Pennsylvania Capital Stock Taxes	300,144	222,718
Provision for Pennsylvania Income Tax	122,793	127,240
Miscellaneous Charges (including interest)	161,922	64,054
	5,038,296	2,239,385
Net Income before Federal Taxes on Income and Adjustment of Inventories to lower of Cost or Market basis	7,724,961	5,326,095
Provision for Federal Normal Income Taxes	1,654,255	1,115,825
Provision for Federal Excess Profits Taxes	1,872,120	
	3,526,375	1,115,825
Net Income after Provision for Federal Taxes	4,198,586	4,210,270
Adjustment of Inventories to lower of Cost or Market basis	42,672	(56,204)
Net Income from Domestic Operations—transferred to Earned Surplus	$4,241,258	$4,154,066

FOREIGN SUBSIDIARIES

	1941	1940
Combined Net Income (See Note 3)	$ 378,581	$ 182,309

George M. Arisman
Controller

(See Accompanying Notes to Financial Statements—Page 21)

ARMSTRONG CORK COMPANY
AND DOMESTIC SUBSIDIARIES
STATEMENT OF CONSOLIDATED EARNED AND PAID-IN SURPLUS
For the Year Ended December 31, 1941

EARNED SURPLUS

Balance as of December 31, 1940		$12,312,851
Add:		
Net Income from Domestic Operations		4,241,258
Reduction in Reserves provided against Investments in and Advances to Foreign Subsidiaries due to the increase in net assets of such subsidiaries during the year arising from earnings $378,581 less unrealized losses $57,517 (net) due to exchange fluctuations		321,064
		16,875,173
Deduct:		
Dividends Paid:		
Four Per Cent Cumulative Convertible Preferred Stock ($4.00 per share)	$ 211,976	
Common Stock ($2.25 per share)	3,174,446	3,386,422
Balance as of December 31, 1941		$13,488,751

PAID-IN SURPLUS

Balance as of December 31, 1940 and December 31, 1941	$26,383,324

NOTES TO FINANCIAL STATEMENTS

Note 1—Inventories are stated at the lower of cost or market. As to the principal commodities, cost is determined under the "last-in, first-out" method and under the "first-in, first-out" method as to the remainder. In general, replacement costs of specific items are used where adjustments to market have been made; such adjustments are not reflected in Cost of Sales. All inter-company profits have been eliminated.

Note 2—The location of the Company's foreign subsidiaries and the net amounts at which the investments therein are carried are as follows:

Spain	$2,617,300
England	682,994
French North Africa	680,264
Canada	370,468
	$4,351,026

These amounts are based on the underlying net assets as shown by the balance sheets of such subsidiaries as of December 31, 1941 (except as to the French Subsidiary for which the latest available balance sheet, dated November 30, 1941, has been used) after deducting the balance, $653,914, of the reserve for revaluation of their capital assets, effected as of January 1, 1933.

Foreign currencies have been expressed in U. S. dollars as follows: as to fixed assets, at the U. S. dollar equivalent of their cost; as to all other assets and liabilities, at quoted exchange rates as of December 31, 1941.

Note 3—The operating results of the foreign subsidiaries have (with minor modifications) been expressed in U. S. dollars on the basis of average exchange rates quoted during the respective periods except that depreciation charges have been based on the U. S. dollar cost of their fixed assets (as revalued January 1, 1933). These amounts, representing the net earnings for the respective calendar years (except that only eleven months' operating results are available as to the French Subsidiary for 1941) have not been remitted in U. S. dollars and are not included in the foregoing Statement of Consolidated Income, but are reflected in Earned Surplus through the adjustment of the Company's investment in foreign subsidiaries to the basis of its equity in the underlying net assets.

George M. Arisman
Controller

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS
1 CEDAR STREET
NEW YORK

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MILWAUKEE
LOS ANGELES
DALLAS
TULSA
LONDON, ENG.
PARIS, FRANCE

FEBRUARY 9, 1942

TO THE CHAIRMAN AND BOARD OF DIRECTORS,
HARBISON-WALKER REFRACTORIES COMPANY:

We have examined the consolidated balance sheet of Harbison-Walker Refractories Company and Subsidiaries as of December 31, 1941, and the statement of consolidated profit and loss and earned surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

We were present at a sufficient number of the Company's plants selected by us, at the date of physical inventory, so that by observation and inquiry we satisfied ourselves as to the method of inventory taking and the accuracy thereof.

In our opinion, the accompanying consolidated balance sheet and related statement of consolidated profit and loss and earned surplus present fairly the position of Harbison-Walker Refractories Company and Subsidiaries at December 31, 1941, and the results of their operations for the year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

HARBISON-WALKER REFRACTORIES CO.

Consolidated Profit and Loss and Earned Surplus Account

For the Year Ended December 31, 1941

NET SALES		$27,320,161
COST OF SALES, SELLING AND GENERAL EXPENSE AND MINORITY INTEREST IN PROFIT OF A SUBSIDIARY		19,832,465
OPERATING PROFIT BEFORE DEPRECIATION AND DEPLETION		$ 7,487,696
OTHER INCOME:		
Dividends, interest and miscellaneous		128,917
		$ 7,616,613
RESERVES:		
Depreciation	$ 869,468	
Depletion	118,979	988,447
NET INCOME BEFORE INCOME TAXES		$ 6,628,166
INCOME TAXES:		
Federal normal income tax and surtax	$1,353,127	
Federal excess profits tax	2,299,522	
State income taxes	88,186	
Canadian income taxes on shipments to Canada	120,031	3,860,866
NET INCOME BEFORE SPECIAL CHARGE		$ 2,767,300
DEDUCT: Losses on sale and abandonment of fixed property		158,487
NET INCOME FOR THE YEAR		$ 2,608,813
EARNED SURPLUS AT DECEMBER 31, 1940		7,231,392
		$ 9,840,205
DEDUCT: Loss in respect of employees' stock purchase accounts cancelled, and reserve for accounts still outstanding		339,652
		$ 9,500,553
DIVIDENDS PAID AND DECLARED:		
On preferred stock—6%	$ 180,000	
On common stock—$1.50 per share	2,037,475	2,217,475
EARNED SURPLUS AT DECEMBER 31, 1941		$ 7,283,078

HARBISON-WALKER REFRACTORIES CO.

Consolidated Balance Sheet
At December 31, 1941

ASSETS

CURRENT ASSETS:			
Cash		$ 4,588,813	
Accounts receivable—trade (Less reserve—$6,393)		3,014,719	
Notes receivable—trade (Less reserve—$2,766)		633	
Inventories— (In accordance with the Company's long continued practice, finished goods and work in process have been inventoried at unit values which are considered normal cost with full production and are below present cost or market; raw materials and supplies have been valued at the lower of cost or individual market)		4,901,107	$12,505,272
OTHER ASSETS:			
Investments, at or below cost—			
Marketable securities (Market value $1,372,811)		$ 3,376,054	
Sundry investments		82,455	
		$ 3,458,509	
Accounts receivable—Employees' stock purchase accounts, less reserve—$77,000 (Secured by 9,216 shares of Harbison-Walker Refractories Company common stock)		114,815	3,573,324
PROPERTY ACCOUNTS:			
(Stated at value at date of acquisition in 1902, plus net additions at cost)—			
Land		$ 906,150	
Buildings, machinery and equipment	$20,600,528		
Less: Reserve for depreciation	7,435,284	13,165,244	
Clay, coal, ganister and other mineral lands and development	$ 8,153,689		
Less: Reserve for depletion	2,383,624	5,770,065	19,841,459
DEFERRED CHARGES TO FUTURE OPERATIONS			107,368
			$36,027,423

HARBISON-WALKER REFRACTORIES CO.

Consolidated Balance Sheet

At December 31, 1941

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:			
Estimated federal income and excess profits taxes	$3,696,038		
LESS: U. S. Treasury Notes—Tax Series B—1943	2,000,000	$ 1,696,038	
Other taxes		525,262	
Accounts payable and other liabilities		1,349,889	
Preferred dividend payable January 20, 1942		45,000	$ 3,616,189
RESERVES:			
Fire insurance and flood loss		$ 370,983	
Sundry		286,089	657,072
MINORITY INTEREST IN CAPITAL STOCK AND SURPLUS OF A SUBSIDIARY COMPANY			576,095
NOTES PAYABLE BY A SUBSIDIARY TO MINORITY INTEREST THEREOF (See Letter to Stockholders)			200,000
CAPITAL STOCK AND SURPLUS:			
Capital stock—			
Preferred—Authorized and issued— 30,000 shares, 6% cumulative, non-callable, par value $100 (Liquidation value $100 per share and accrued dividends)		$ 3,000,000	
Common—Authorized and issued— 1,380,000 shares, no par value with a stated value of $15 per share—			
Outstanding	1,340,482 shares		
Reacquired and held in treasury	39,518 shares		
	1,380,000 shares	20,700,000	
		$23,700,000	
Capital surplus (unchanged during the year)	$ 572,091		
Earned surplus (See statement herewith)	7,283,078	7,855,169	
		$31,555,169	
LESS: 39,518 shares of common stock in treasury—at cost or less		577,102	30,978,067
			$36,027,423

Johns-Manville Corporation and Consolidated Subsidiary Companies

Comparative Consolidated Balance Sheet, December 31, 1941 and 1940

ASSETS

	1941	1940
Cash in banks and on hand	$ 8,322,186.16	$ 8,888,399.51
United States Treasury Tax Notes, Series B-1943, at cost	4,004,800.00	
Accounts and notes receivable, less reserves for doubtful items and cash discounts of $374,210.12 at Dec. 31, 1941, and $339,231.01 at Dec. 31, 1940	12,174,195.02	7,897,822.36
Inventories, at lower of cost or market, less $1,635,952.02 at Dec. 31, 1941 and $853,827.50 at Dec. 31, 1940 billed on uncompleted contracts (Note 7)	13,416,553.14	9,154,262.15
Total current assets	$37,917,734.32	$25,940,484.02
Cash required for redemption of 7% cumulative preferred stock (contra)		2,130,625.00
Workmen's compensation self-insurance fund consisting at Dec. 31, 1941 of cash on deposit, $6,396.32 and securities at cost and accrued interest, $421,074.41 (at market quotations, $422,321.89)	427,470.73	421,290.32
Miscellaneous investments, at cost or less	152,271.31	311,936.38
Investments in and advances to subsidiaries unconsolidated:		
Johns-Manville Credit Corporation, at cost, including advances of $2,400,000 at Dec. 31, 1941 and $500,000 at at Dec. 31, 1940 (see page 17)	3,400,000.00	3,000,000.00
J-M Service Corporation, at cost	1,000.00	
Foreign subsidiaries (including advances of $163,991.74 at Dec. 31, 1941 and $135,589.69 at Dec. 31, 1940) (Note 3)	260,189.65	231,787.60
Land, buildings, equipment and mineral properties, at cost (except for the inclusion of net revaluation increases by subsidiaries or their predecessors, prior to the organization of the present parent company, of $4,316,994.85 in mineral properties and $241,764.73 in other fixed assets) less reserves for depreciation, depletion and obsolescence of $31,395,805.98 at Dec. 31, 1941 and $29,181,678.88 at Dec. 31, 1940	26,560,749.94	26,550,204.25
Prepaid and deferred charges	523,173.67	291,518.14
	$69,242,589.62	$58,877,845.71

LIABILITIES and RESERVES

	1941	1940
Accounts payable	$ 2,705,430.46	$ 1,929,857.88
Dividend payable during subsequent January	43,750.00	87,500.00
Accrued taxes, wages, commissions, etc.	2,745,702.41	1,709,742.29
Federal and Canadian income and excess profits taxes	10,384,830.49	3,515,905.21
Total current liabilities	15,879,713.36	7,243,005.38
Reserves for workmen's compensation, self-insurance	427,470.73	421,290.32
Reserves for product guarantees, etc.	712,936.93	590,832.97
Reserves for federal and Canadian income and excess profits tax contingencies (Note 9)	2,101,084.47	
Reserves for contingencies arising out of war conditions, etc.	1,762,536.81	244,139.49
	$20,883,742.30	$8,499,268.16
Preferred stock, 7 per cent cumulative, 17,500 shares called for redemption on January 1, 1941 at $121.75 per share, including $1.75 per share for accumulated dividends (cash on deposit, contra)		$ 2,130,625.00

CAPITAL and SURPLUS

	1941	1940
Preferred stock, 7 per cent cumulative, par value $100 per share, stated at redemption and liquidation value of $120 per share. At Dec. 31, 1940, authorized 92,500 shares; issued 67,500 shares, of which 17,500 shares called for redemption are shown above. At Dec. 31, 1941, authorized 75,000 shares; issued 50,000 shares, $6,000,000, of which 25,000 shares have been redeemed but not yet retired, leaving outstanding 25,000 shares	$ 3,000,000.00	$6,000,000.00
Common stock, authorized 1,000,000 shares, without par value; issued 850,000 shares at stated value of $20 per share	17,000,000.00	17,000,000.00
Capital surplus (including, at Dec. 31, 1941, $3,000,000 representing redemption price of 25,000 shares of preferred stock redeemed but not yet retired)	14,379,898.04	14,379,898.04
Earned surplus, as annexed	13,978,949.28	10,868,054.51
Total capital and surplus	$48,358,847.32	$48,247,952.55
	$69,242,589.62	$58,877,845.71

(For notes to the above Comparative Consolidated Balance Sheet see following pages 13 to 15.)

Johns-Manville Corporation
and Consolidated Subsidiary Companies
Comparative Statement of Consolidated Income and Surplus for the years ended Dec. 31, 1941 and 1940

	1941	1940
Sales, less cash discounts and allowances	$92,852,483.15	$61,761,236.25
Manufacturing cost, selling and administrative expenses, etc.	71,535,105.98	51,046,894.37
	$21,317,377.17	$10,714,341.88
Depreciation	$ 1,652,329.18	$ 1,379,316.10
Depletion and obsolescence of mineral properties	863,183.54	642,954.87
	$ 2,515,512.72	$ 2,022,270.97
Net income before dividend from subsidiary and provisions for contingencies and income and excess profits taxes	$18,801,864.45	$ 8,692,070.91
Dividend received from Johns-Manville Credit Corporation (see page 18)	150,000.00	560,000.00
Net income before provisions for contingencies and income and excess profits taxes	18,951,864.45	9,252,070.91
Provision for contingencies arising out of war conditions	1,459,889.19	
Net income before provision for income and excess profits taxes	17,491,975.26	9,252,070.91
Provision for federal and Canadian income and excess profits taxes (including for 1941, $1,140,000 provision for tax contingencies) (Note 8)	11,524,830.49	3,370,000.00
Net income available for dividends	5,967,144.77	5,882,070.91
Dividends paid on preferred stock	306,250.00	485,625.00
Net income available for common stock	5,660,894.77	5,396,445.91
Dividends paid on common stock	2,550,000.00	2,337,500.00
Balance to earned surplus	3,110,894.77	3,058,945.91
Surplus balance, beginning of year	10,868,054.51	7,809,108.60
Surplus balance, end of year	$13,978,949.28	$10,868,054.51

(For notes to the above Comparative Consolidated Income and Surplus Statement see following pages 13 to 15.)

Johns-Manville Corporation
and Consolidated Subsidiary Companies
Notes to Consolidated Financial Statements
December 31, 1941

1. The consolidated balance sheet at December 31, 1941 and 1940, includes, respectively, $878,073.88 and $1,307,246.69 net current assets and $5,205,438.58 and $5,012,382.58 net fixed and non-current assets of the corporation's Canadian subsidiaries. In arriving at such amounts, exchange rates prevailing at the balance sheet dates have been applied in the translation of current assets and liabilities, and the approximate exchange rates at the time of acquisition have been applied to other assets.

2. The net income of the Canadian subsidiaries included in consolidated net income, after elimination of intercompany profit, amounted in U. S. currency to $2,591,271.21 in 1941 and $1,737,464.54 in 1940. Translation into U. S. currency has been made at prevailing rates of exchange during the years 1940 and 1941, except that depreciation and depletion have been translated at rates prevailing at the time of acquisition of the related assets.

3. Investments in capital stocks of the English and Argentine subsidiaries at December 31, 1941 and 1940 cost .... $ 72,036.47

   The related underlying net assets (substantially current) shown by audited financial statements of those subsidiaries translated at prevailing rates of exchange at the respective dates, after eliminating intercompany profits, amounted to:

   At October 31, 1941 .... $115,357.98

   At October 31 and November 30, 1940, respectively $108,075.85

   The investment in the remaining foreign subsidiary (Belgium) has been written down to realizable amount, or .... $ 24,161.44

The investment in J-M Service Corporation, an unconsolidated domestic subsidiary, at December 31, 1941 cost	$ 1,000.00
The related underlying net assets (all current) at that date amounted to	$ 22,647.91

4. The net income of the unconsolidated subsidiaries in England and Argentina translated at prevailing rates of exchange amounted to the following for the periods indicated:

For the year ended October 31, 1941 and the eleven months ended that date for the English and Argentine subsidiaries, respectively	$ 30,857.13
For the ten months ended October 31, 1940 and the eleven months ended November 30, 1940 for the English and Argentine subsidiaries, respectively	$ 34,406.84
The net income of J-M Service Corporation from date of organization, July 24, 1941, to December 31, 1941 amounted to	$ 21,647.91

5. The financial statements of Johns-Manville Credit Corporation are presented separately on pages 17 to 19 hereof.

6. Under the Retirement Plan of Johns-Manville Corporation (including its domestic subsidiaries) it is provided that all funds of the Retirement Plan, consisting of contributions made by the participants and the company, shall be committed in trust to a Trustee, subject to a trust instrument, whose duty it shall be to invest and reinvest funds constituting the Retirement Fund and to make funds available for payments to the participants. The company guarantees retirement income as determined upon retirement of the participant under the provisions of the Plan and guarantees that the amount of salary deductions will be returned to employees (or their beneficiaries) who die or whose service is terminated for any other reason prior to retirement. The company is to make annual contributions to the Fund in such amounts as will maintain its accumulation account at a figure actuarily sufficient to match the participant's accumulations at the participant's retirement and to furnish retirement income as provided in the Plan. The amount of such contributions made or provided for by the company during the year 1941 under Sections 6 and 7 of the Plan was $674,449.

Johns-Manville Corporation is surety for its subsidiary, J-M Service Corporation, to the United States Government in unlimited amount for the performance by J-M Service Corporation of the latter's obligations to the Government under a certain contract for the furnishing of management service for a new ordnance facility.

At December 31, 1941 there had been no nonperformance by the primary obligors under the above guarantees and therefore no liability of the corporation has arisen thereunder.

7. Inventories are stated at the lower of cost or market. The companies' method of determining the cost of raw materials and supply and repair materials inventories is "average cost"; of work in process and finished goods is "first-in, first-out." Inventories of contracts in progress include actual labor and other expenses incurred in installation.

8. Provision for federal and Canadian income and excess profits taxes includes provision for federal excess profits taxes in the amounts of $5,800,000 and $600,000 for the years 1941 and 1940, respectively.

9. Federal and Canadian income and excess profits taxes at December 31, 1940 included $961,084.47 provided in 1940 and prior years for tax contingencies. During 1941 this amount was transferred to the special reserve for federal and Canadian income and excess profits tax contingencies.

To the Stockholders and Board of Directors of
JOHNS-MANVILLE CORPORATION,
22 East 40th Street,
New York, N. Y.

We have examined the consolidated balance sheet of JOHNS-MANVILLE CORPORATION and its consolidated subsidiaries as of December 31, 1941 and 1940, and the related consolidated statements of income and surplus for the respective years then ended; and, except as to the Canadian subsidiaries referred to below, we have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

We were furnished with financial statements of Canadian Johns-Manville Company, Limited and its subsidiary for the years 1941 and 1940, together with the reports thereon of Canadian Chartered Accountants.

In our opinion, based upon such examination and upon such reports of other accountants, the accompanying comparative consolidated balance sheet and related comparative consolidated statement of income and surplus present fairly the position of Johns-Manville Corporation and its consolidated subsidiaries at December 31, 1941 and 1940, and the results of their operations for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY,
Certified Public Accountants.

New York, January 31, 1942.

LOOMIS, SUFFERN & FERNALD
Certified Public Accountants
80 BROAD STREET
NEW YORK

March 24, 1942.

To the Board of Directors of
LONE STAR CEMENT CORPORATION:

We have examined the Consolidated Balance Sheet of Lone Star Cement Corporation and subsidiary companies as of December 31, 1941, and the statements of Consolidated Income and Earned Surplus Accounts for the year then ended. As to the domestic and Cuban companies, we or our representatives have reviewed the system of internal control and the accounting procedures and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. As to the South American subsidiaries, we have reviewed monthly and annual accounting reports received by the Corporation from such subsidiaries and have also reviewed the reports of Messrs. Price, Waterhouse, Peat & Co. on their examination of the accounts of such subsidiaries. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The accounts of foreign subsidiaries have been included in the consolidated statements on the exchange bases explained in the Notes to such statements.

In our opinion, the accompanying Consolidated Balance Sheet and related statements of Consolidated Income and Earned Surplus Accounts present fairly the consolidated position of Lone Star Cement Corporation and subsidiary companies as of December 31, 1941, and the consolidated results of operations for the year then ended in conformity with generally accepted accounting principles which have been applied on a basis consistent with that of the preceding year.

LOOMIS, SUFFERN & FERNALD,
Certified Public Accountants.

AUDITORS' CERTIFICATE

Board of Directors,
The Sherwin-Williams Company,
Cleveland, Ohio.

We have examined the consolidated balance sheet of The Sherwin-Williams Company and its consolidated subsidiaries as of August 31, 1941, and the consolidated statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary, including tests of trade receivables at representative locations by communication with debtors and observation of procedures followed by the companies in ascertaining inventory quantities at the principal locations.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the consolidated position of The Sherwin-Williams Company and its consolidated subsidiaries at August 31, 1941, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Cleveland, Ohio
October 24, 1941

CONSOLIDATED PROFIT AND LOSS AND SURPLUS

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES

Year ended August 31, 1941

PROFIT AND LOSS

Profit from operations for the year ended August 31, 1941, before other income, provision for depreciation, other deductions and federal taxes on income			$11,083,576.53
Other income			86,552.98
			$11,170,129.51
Deductions:			
Provision for depreciation, including $500,000.00 for special purposes		$1,660,864.04	
Loss on disposal of fixed assets and expenses applicable to nonoperating properties		170,540.73	
Interest expense		60,103.76	
Provision for doubtful accounts; pension payments and sundry items		454,250.35	
Provision for federal taxes on income—estimated:			
Normal income taxes	$2,361,930.00		
Excess profits taxes	858,670.00		
	$3,220,600.00		
Adjustment of federal income tax provisions for prior years	7,414.42*	3,213,185.58	5,558,944.46
NET PROFIT			$ 5,611,185.05

EARNED SURPLUS

Balance at September 1, 1940			$24,251,344.69
Add net profit for the year			5,611,185.05
			$29,862,529.74
Deduct:			
Cash dividends declared and paid or provided for during the year:			
Preferred—$5.00 per share	$ 605,257.50		
Common—$3.75 per share	2,395,976.25	$3,001,233.75	
Premium on preferred stock called for redemption		24,750.00	3,025,983.75
BALANCE AUGUST 31, 1941			$26,836,545.99

*Indicates red figure.

Note A — Proportionate share of the operating results of unconsolidated Canadian subsidiary has not been reflected in the foregoing statement; final statement as to such operating results for the year ended August 31, 1941, was not available at date of issuance of this report.

CONSOLIDATED BALANCE SHEET

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES

August 31, 1941

Assets

CURRENT ASSETS		
Cash	$ 6,919,892.67	
Trade notes, acceptances and accounts receivable, less reserves (includes account amounting to $27,235.21 receivable from subsidiary not consolidated)	12,704,905.26	
Inventories—raw materials and supplies, in process and finished merchandise stated on basis of lower of cost or market (estimated inter-plant and inter-company profits have been eliminated).	21,244,888.69	$40,869,686.62
OTHER ASSETS		
Notes receivable for properties sold during 1934—secured by mortgage	$ 84,578.45	
Insurance deposits, sundry notes and accounts receivable, claims and advances, less reserves	445,533.06	530,111.51
INVESTMENTS		
Securities of subsidiaries not consolidated—Note A	$ 3,702,825.00	
Other securities—at or below cost	15,950.60	3,718,775.60
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, machinery and equipment—at cost to consolidated companies, less reserves for depreciation		20,039,887.42
PATENTS AND TRADE-MARKS		
Nominal amount		1.00
DEFERRED CHARGES		
Advertising stock, stationery, etc.	$ 592,380.04	
Prepaid insurance, deferred taxes, etc.	257,345.85	849,725.89
		$66,008,188.04

Liabilities, Capital Stock and Surplus

CURRENT LIABILITIES		
Trade accounts payable, pay rolls and sundry items (includes account payable to subsidiary not consolidated in the amount of $5,851.16)	$ 5,906,105.37	
Preferred dividend payable September 2, 1941	146,673.75	
Deposits—officers and employees	673,066.21	
Accrued taxes (other than federal income taxes) and sundry items	311,963.24	
Federal taxes on income—estimated	3,262,215.00	
Notes payable to bank (in connection with advances to and loans by foreign subsidiary)	434,332.48	$10,734,356.05
RESERVES		
For contingencies, maintenance of plants, employers' liability insurance, etc.		730,211.00
CAPITAL STOCK AND SURPLUS		
Capital stock:		
Preferred–authorized 395,500 shares (par value $100.00 each—redeemable at $105.00 per share): Outstanding—Series "AAA" 5% cumulative preferred—117,339 shares	$11,733,900.00	
Common—authorized 800,000 shares (par value $25.00 each): Outstanding—638,927 shares	15,973,175.00	
	$27,707,075.00	
Earned surplus	26,836,545.99	54,543,620.99
		$66,008,188.04

Note A — Investments in securities of subsidiaries not consolidated include (1) investment of $3,695,825.00 in Canadian subsidiary, stated at cost which was less than the proportionate share of the book value (including intangibles) of the net assets of such affiliate as reported to the Company and (2) investment in another subsidiary amounting to $7,000.00 stated at cost. This company was organized on August 6, 1941, and did not have any operations to August 31, 1941. Net decrease in equity in Canadian affiliate since date of acquisition, not taken up by the parent Company, amounted to approximately $108,600.00 as of August 31, 1940, (final statement as to operating results for the year ended August 31, 1941, was not available at date of issuance of this report).

Note B — Net current assets (not significant) of consolidated foreign subsidiaries have been translated into U. S. dollars at the applicable exchange rates in effect at August 31, 1941. Such subsidiaries are located in Argentina, Canada, Cuba and Mexico.

COMMERCIAL SOLVENTS CORPORATION
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 1941

ASSETS

Current Assets:		
Cash in banks and on hand		$ 3,802,445.69
U.S. Defense Bonds, at cost		50,000.00
Accounts receivable—trade	$6,828,012.39	
Accounts receivable—other	102,358.30	
Notes and acceptances receivable—trade (Note 1)	1,852,060.62	
	$8,782,431.31	
Less: Reserve for doubtful accounts and notes	301,919.44	8,480,511.87
Deposits on grain futures contracts		134,506.25
Inventories of raw materials, goods in process and finished products (Note 2)		3,916,544.84
Total Current Assets		$16,384,008.65
Investments in affiliated companies, at cost, less reserve (Note 3)		2,204,934.21
Other investments, at cost or nominal value		245,866.94
Fixed Assets:		
Land, buildings and equipment acquired prior to December 31, 1932—at cost	$6,995,253.51	
Less: Reserves for depreciation and reduction of assets charged against earnings and earned surplus prior to that date	6,995,252.51	1.00
Land, buildings and equipment acquired subsequent to December 31, 1932—at cost (Note 4)	$5,615,845.33	
Less: Reserves for depreciation	1,565,629.84	4,050,215.49
Goodwill and patents		1.00
Deferred Charges:		
Prepaid insurance	$ 139,720.91	
Supplies inventory	222,510.52	
Miscellaneous	81,133.80	443,365.23
		$23,328,392.52

Note 1—Notes receivable of $1,694,869.34 are secured by warehouse receipts and in accordance with trade custom include $296,442.12 due subsequent to 1942. Certain of the notes contain a renewal option upon compliance with conditions stated therein.

Note 2—Inventories of raw materials and goods in process are stated at the lower of cost or replacement market and finished products are stated at the lower of cost or realizable market. Cost represents average cost with the exception of molasses, which is valued on the last-in, first-out basis.

COMMERCIAL SOLVENTS CORPORATION
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 1941

LIABILITIES AND CAPITAL

Current Liabilities:			
Accounts payable			$ 863,659.98
Due to Commercial Molasses Corporation			133,933.23
Accrued income and other Federal taxes		$2,878,339.11	
Less: U.S. Treasury Tax Notes, at cost		1,402,240.00	1,476,099.11
Other accrued taxes			118,309.42
Sundry accrued expenses			114,074.68
Total Current Liabilities			$ 2,706,076.42
Reserves for insurance and contingencies			145,674.96
Common Stock—No Par Value			
Authorized	3,000,000 shares		
Unissued	363,122 shares		
Outstanding	2,636,878 shares		6,593,451.62
Capital Surplus			4,325,513.56
Earned Surplus:			
January 1, 1941		$ 8,312,753.01	
Add: Net profit for year 1941		2,615,452.74	
Refunds of Federal income and processing taxes of prior years		79,753.11	
		$11,007,958.86	
Less: Dividends paid		1,450,282.90	
December 31, 1941			9,557,675.96
Contingent Liabilities (not material in amount)			
			$23,328,392.52

Note 3—The Corporation's equity in surplus (after dividends) of Commercial Molasses Corporation and subsidiaries since acquisition and of Thermatomic Carbon Company since that company's reorganization on December 1, 1935, has increased by $517,325.71. Both these companies are affiliated companies not wholly-owned and not consolidated.

Note 4—Cost in respect of fixed assets acquired from predecessor companies in 1933 through the issuance of the Corporation's stock was reduced at January 1, 1941, from $1,294,619.76, the value thereon at the time of acquisition less subsequent retirements, to $784,572.47 by applying against such value the balance of $510,047.29 in reserves for depreciation and reduction of assets provided at or prior to acquisition of these assets.

COMMERCIAL SOLVENTS CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE
YEAR ENDED DECEMBER 31, 1941

Sales		$66,410,558.73
Less: Federal withdrawal tax on neutral spirits included therein		41,746,392.46
Sales—Net		$24,664,166.27
Cost of sales and expenses		19,913,803.43
		$ 4,750,362.84
Add: Other operating income (warehouse, barge and tank car income)		171,924.29
Operating profit		$ 4,922,287.13
Add:		
Dividends and other income received from affiliated companies not consolidated	$ 534,350.00	
Miscellaneous income	288,000.63	822,350.63
		$ 5,744,637.76
Deduct:		
Net loss on disposal of capital assets	$ 16,665.24	
Provision for bad debts, discounts allowed, etc.	283,162.05	
Provision for Federal capital stock tax	101,062.00	400,889.29
Net profit before Federal income taxes		$ 5,343,748.47
Provision for estimated Federal excess profits tax	$1,794,000.00	
Provision for estimated Federal normal income tax	934,295.73	2,728,295.73
Net profit for year		$ 2,615,452.74

NOTE 1—The excess of the Corporation's equity in the 1941 earnings of Commercial Molasses Corporation and subsidiaries and Thermatomic Carbon Company, both affiliated companies not wholly-owned and not consolidated, over dividends received from those companies during the year amounted to $88,804.42.

NOTE 2—Depreciation for the year on buildings and equipment acquired subsequent to December 31, 1932 amounted to $297,810.56.

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS
1 CEDAR STREET
NEW YORK

To the Board of Directors,

COMMERCIAL SOLVENTS CORPORATION,

NEW YORK, N. Y.

We have examined the consolidated balance sheet of Commercial Solvents Corporation and subsidiaries at December 31, 1941 and the consolidated statement of earnings for the year then ended. We have also examined the balance sheets at December 31, 1941 and the statements of earnings for the year then ended of Commercial Molasses Corporation and subsidiaries and Thermatomic Carbon Company, affiliated companies not wholly-owned and not consolidated. We have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related consolidated statement of earnings, together with the notes thereon, present fairly the consolidated position of Commercial Solvents Corporation and subsidiaries at December 31, 1941, and the results of their consolidated operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

NEW YORK, N. Y.
February 10, 1942.

THE LAMBERT COMPANY
AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
December 31, 1941

ASSETS

CURRENT ASSETS		
Cash	$1,327,397.64	
Accounts Receivable, Customers (less reserve)	1,609,638.08	
Inventories, at lower of cost or market	3,463,496.71	$6,400,532.43
FIXED ASSETS		
Land, Buildings, Machinery, and Equipment, at cost	$2,670,699.34	
Less Reserve for Depreciation	1,423,289.04	1,247,410.30
INVESTMENTS—FOREIGN SUBSIDIARIES, BRANCHES, AND AGENCIES		160,008.14
OTHER ASSETS		56,754.35
PREPAID ADVERTISING		156,948.83
DEFERRED CHARGES AND SUNDRY PREPAID EXPENSES		243,356.20
GOOD WILL AND TRADE NAMES		1.00
		$8,265,011.25

LIABILITIES

CURRENT LIABILITIES			
Accounts Payable and Accrued Accounts		$1,048,972.46	
Reserve for Federal, State, and Canada Income Taxes		779,454.97	$1,828,427.43
MINORITY INTEREST IN SUBSIDIARY			
Represented by 28,250 shares of Lambert Pharmacal Company (1/24th of total)			107,237.60
RESERVES:			
For Contingencies and Extraordinary Expenses		$ 200,000.00	
For Foreign Exchange		3,900.95	203,900.95
CAPITAL AND SURPLUS			
CAPITAL STOCK			
Authorized 1,000,000 shares—no par value			
Issued 746,371 shares		$1,659,088.81	
SURPLUS			
Earned	$3,072,842.36		
Paid In	1,393,514.10	4,466,356.46	6,125,445.27
			$8,265,011.25

NOTES:

Cash and earned surplus in the above balance sheet are stated after deduction of the dividend of $279,889.13 of The Lambert Company payable January 2, 1942.

Net current assets aggregating $281,635.49 and machinery, equipment, and other assets amounting to $64,324.78, of Canadian subsidiary companies, are consolidated in the above balance sheet.

"Investments—Foreign Subsidiaries, Branches, and Agencies" consist of cash, accounts receivable, and inventories, less liabilities, in the net amount of $142,600.40, and machinery, equipment, and other assets amounting to $17,407.74, which are distributed as follows:

Australia and New Zealand	$ 61,760.25
Cuba, Mexico, and South America	53,198.56
England and Switzerland	43,036.75
South Africa and China	2,012.58
	$160,008.14

Net assets in foreign currencies are stated in United States dollars based on rates of exchange prevailing at December 31, 1941, except fixed assets, which are based on approximate rates prevailing at the dates of acquisition. Unrealized appreciation in foreign exchange is credited to "Reserve for Foreign Exchange".

JOHN D. MILLER,
Treasurer.

THE LAMBERT COMPANY
AND SUBSIDIARY COMPANIES
CONSOLIDATED INCOME AND CAPITAL AND SURPLUS ACCOUNT
For the year ended December 31, 1941

INCOME ACCOUNT

Gross sales, less discounts, and returns and allowances		$13,601,833.38
Cost of goods sold and selling, advertising, royalty, research and development, and general and administrative expenses (including depreciation and amortization of $140,567.83)		11,519,057.62
		2,082,775.76
Other income	$319,828.75	
Less other charges	36,087.69	283,741.06
		2,366,516.82
Federal, state, and foreign income taxes		779,149.94
NET PROFIT		1,587,366.88
Provision for contingencies and extraordinary expenses		200,000.00
BALANCE OF NET PROFIT		1,387,366.88
Less portion applicable to minority interest in subsidiary		36,956.38
BALANCE OF NET PROFIT TRANSFERRED TO CONSOLIDATED EARNED SURPLUS		$ 1,350,410.50

NOTE:
Net profits less losses of all foreign subsidiaries, branches, and agencies are included in Net Profit, except profits of $5,067.95, blocked by currency restrictions. Certain of the foreign subsidiaries, branches, and agencies had profits aggregating $83,928.13, of which $60,723.21 was realized in United States dollars during the year, and the remainder had losses of $6,222.58.

CAPITAL AND SURPLUS ACCOUNT

CAPITAL AND SURPLUS DECEMBER 31, 1940	$ 5,894,591.29
ADDITION	
Balance of net profit, as above	1,350,410.50
	7,245,001.79
DEDUCTION	
Dividends paid—$1.50 per share	1,119,556.52
CAPITAL AND SURPLUS DECEMBER 31, 1941	$ 6,125,445.27

JOHN D. MILLER,
Treasurer.

BOARD OF DIRECTORS
THE LAMBERT COMPANY:

We have examined the consolidated balance sheet of The Lambert Company and Subsidiary Companies as at December 31, 1941 and the consolidated statements of income and capital and surplus for the year ended at that date, have reviewed the system of internal control and the accounting procedures of the Companies, and, without making a detailed audit of the transactions, have examined or tested accounting records of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and the related consolidated income and capital and surplus account present fairly the consolidated position of The Lambert Company and its Subsidiary Companies at December 31, 1941, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST,
Accountants.

February 25, 1942.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
418 OLIVE STREET
SAINT LOUIS

ACCOUNTANTS' CERTIFICATE

Monsanto Chemical Company:

We have examined the consolidated balance sheet of Monsanto Chemical Company and its American subsidiaries as of December 31, 1941 and the related statements of consolidated income and surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

The companies continued the practice of providing a reserve for possible decline in inventory values, as a result of which income for the year has been reduced approximately $474,000.00.

In our opinion, the accompanying balance sheet and statements of income and surplus fairly present the financial condition of the companies as of December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

February 3, 1942.

Haskins & Sells

To the Stockholders and
the Board of Directors,
United Dyewood Corporation:

We have examined the appended consolidated balance sheet of UNITED DYEWOOD CORPORATION, a Delaware corporation, and its subsidiaries (other than Compagnie Francaise des Extraits Tinctoriaux et Tannants and its subsidiaries) as of December 31, 1941, and the accompanying statements of consolidated income and surplus for the fiscal year then ended; and, except as to the unconsolidated Compagnie Francaise and its subsidiaries, and the consolidated Great Britain and West Indies subsidiaries, we have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

We were furnished with financial statements certified by chartered accountants for the subsidiaries in Great Britain and the West Indies, which accountants report that they made auditing tests of the accounts receivable and inventories but that they did not communicate with debtors in confirmation of accounts receivable of about $175,000 and that they did not make physical tests of certain inventories of about $427,000 reported as in Great Britain.

We direct especial attention to the explanations in Notes 1, 2, 3 and 6, accompanying the balance sheet, which set forth the manner in which the investments in certain foreign companies were dealt with in the appended statements; particularly the fact that audited reports since 1939 are not available as to (1) Compagnie Francaise, (2) its Corsican and Italian subsidiaries, and (3) a French company operating in Argentina.

In our opinion, based upon such examination and upon such reports of other accountants, and except as to matters mentioned in the Notes, the accompanying balance sheet and related statements of income and surplus present fairly the consolidated position of United Dyewood Corporation and its subsidiaries (other than Compagnie Francaise des Extraits Tinctoriaux et Tannants and its subsidiaries) at December 31, 1941, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Lybrand, Ross Bros. & Montgomery.

New York, April 10, 1942.

 U. S. INDUSTRIAL ALCOHOL CO.

U. S. INDUSTRIAL ALCOHOL CO.

(Incorporated in West Virginia)

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET, MARCH 31, 1942 AND 1941

ASSETS

	March 31 1942	March 31 1941
CURRENT ASSETS:		
Cash	$ 2,680,407	$ 1,301,807
Notes and Accounts Receivable:		
Customers	$ 3,071,790	$ 1,871,578
Other	2,034,142	269,635
TOTAL	$ 5,105,932	$ 2,141,213
Less reserve	378,089	328,012
Notes and accounts receivable—Net	$ 4,727,843	$ 1,813,201
Inventories (at lower of cost or estimated market value):		
Finished goods	$ 2,675,319	$ 2,431,159
Raw materials and work in process	2,784,130	2,726,580
Supplies	1,031,640	527,426
Total inventories	$ 6,491,089	$ 5,685,165
TOTAL CURRENT ASSETS	$13,899,339	$ 8,800,173
FIXED ASSETS:		
Land—At cost less write-down as of April 1, 1940, $3,494,538	$ 1,519,722	$ 1,473,808
Buildings and equipment—At cost	22,824,349	21,641,380
	$24,344,071	$23,115,188
Less reserves for depreciation and amortization	13,953,850	13,621,933
TOTAL FIXED ASSETS—Net	$10,390,221	$ 9,493,255
INVESTMENTS (less reserve, $684,914)	$ 1,874,966	$ 2,666,682
PREPAID EXPENSES AND DEFERRED CHARGES (less reserves—1942, $77,749; 1941, $90,838)	781,463	597,226
PATENTS AND LICENSES	1	1
TOTAL	$26,945,990	$21,557,337

LIABILITIES

	March 31 1942	March 31 1941
CURRENT LIABILITIES:		
Accounts payable	$ 1,988,980	$ 1,493,955
Dividends payable	376,836	195,619
Federal income and other taxes	2,515,243	503,191
Other	831,351	1,006,600
TOTAL CURRENT LIABILITIES	$ 5,712,410	$ 3,199,365
OTHER LIABILITIES AND DEFERRED CREDITS	$ 116,472	$ 87,389
RESERVES:		
Contingencies	$ 1,600,000	$ 100,000
Replacement of tanker (excess of insurance proceeds over book value of lost tanker)	542,610	
Hurricane insurance	74,856	62,856
Extraordinary ship repairs		30,436
TOTAL RESERVES	$ 2,217,466	$ 193,292
CAPITAL AND SURPLUS:		
Common stock without par value—Authorized 500,000 shares; issued 391,238 shares	$17,544,996	$ 4,934,563
Capital surplus (transferred to capital stock as of March 31, 1942)		12,610,433
Earned surplus from April 1, 1940	1,680,491	532,295
	$19,225,487	$18,077,291
Less stock in treasury, at cost, 14,402 shares	325,845	
TOTAL CAPITAL AND SURPLUS	$18,899,642	$18,077,291
TOTAL	$26,945,990	$21,557,337

U. S. INDUSTRIAL ALCOHOL CO.
AND SUBSIDIARY COMPANIES

SUMMARY OF CONSOLIDATED INCOME FOR THE YEARS ENDED MARCH 31, 1942 AND 1941

	Year ended March 31 1942	1941
Net Sales	$27,746,241	$15,047,660
Cost of Sales (including provision for depreciation and amortization—1942, $958,685; 1941, $921,446)	19,302,840	11,883,560
Gross Profit on Sales	$ 8,443,401	$ 3,164,100
Selling, General and Administrative Expenses	3,007,461	2,307,404
Net Operating Income	$ 5,435,940	$ 856,696
Income Credits:		
Dividends	191,347	207,312
Other income credits	386,390	302,980
Gross Income	$ 6,013,677	$ 1,366,988
Less Income Charges:		
Loss on disposal of securities	$ 230,167	
Other income charges	337,433	$ 255,683
Total	$ 567,600	$ 255,683
Net Income Before Provision for Federal Income Taxes	$ 5,446,077	$ 1,111,305
Provision for Federal Income Taxes (no liability incurred under the Excess Profits Tax Act of 1940 as amended)	1,950,000	275,000
Net Income After Provision for Federal Income Taxes	$ 3,496,077	$ 836,305
Provision for Contingencies	1,500,000	
Net Income for the Year	$ 1,996,077	$ 836,305

U. S. INDUSTRIAL ALCOHOL CO.

U. S. INDUSTRIAL ALCOHOL CO.
AND SUBSIDIARY COMPANIES

SUMMARY OF CONSOLIDATED EARNED SURPLUS FOR THE YEAR ENDED MARCH 31, 1942

Balance, April 1, 1941	$ 532,295
Net Income for the Year	1,996,077
Total	$2,528,372
Dividends Declared ($2.25 per share)	847,881
Balance, March 31, 1942—Earned from April 1, 1940	$1,680,491

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
22 EAST 40TH STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

U. S. INDUSTRIAL ALCOHOL CO:

We have examined the consolidated balance sheet of U. S. Industrial Alcohol Co. and its subsidiary companies as of March 31, 1942 and the related summaries of consolidated income and surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

In our opinion, the accompanying consolidated balance sheet and summaries of consolidated income and surplus fairly present the financial condition of the companies at March 31, 1942 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices, applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

June 25, 1942.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

LAND TITLE BUILDING
PHILADELPHIA

ACCOUNTANTS' CERTIFICATE

THE PHILADELPHIA AND READING COAL AND IRON COMPANY:

We have examined the balance sheet of The Philadelphia and Reading Coal and Iron Company as of December 31, 1941 and the related summaries of income and deficit for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

On October 14, 1940 the United States District Court for the Eastern District of Pennsylvania decreed that Philadelphia and Reading Coal and Iron Corporation is a mere department, agency or instrumentality of The Philadelphia and Reading Coal and Iron Company, and that in any plan of reorganization of the Company the debt of the Corporation to the Company be canceled and the debts of the Corporation to third parties be recognized as debts of the Company.

In compliance with subsequent decree of the said Court entered September 16, 1941 the Company paid obligations due certain third parties, which the Corporation had incurred subsequent to February 26, 1937, the date the Company came under the jurisdiction of the said Court. These obligations aggregated $38,869.06, which amount was paid by the Company. The remaining obligations of the Corporation at December 31, 1941 were as follows: $297,591.32 due to the Company for advances; $11,367.50 due to a subsidiary company for a loan and interest thereon; and $1,686.77 incurred prior to February 26, 1937 for services of a transfer agent, etc. The Charter of the Corporation was voided by the State of Delaware as of April 1, 1941, but pending further Court Orders and the consummation of the Plan of Reorganization of the Company, the Company has not written off the amount due from the Corporation, $297,591.32, nor has it taken up the other liabilities of the Corporation referred to.

In our opinion, subject to the comments in the two preceding paragraphs relating to indebtedness of the Philadelphia and Reading Coal and Iron Corporation, the accompanying balance sheet and summaries of income and deficit fairly present the financial condition of The Philadelphia and Reading Coal and Iron Company at December 31, 1941 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

Philadelphia,
April 8, 1942.

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 1941

Sales and Operating Revenues, less Allowances		$24,884,109.74
Cost of Sales (excluding depreciation, etc., property taxes and other taxes)		20,624,767.89
Gross Profit		4,259,341.85
Selling and Administrative Expenses (excluding payroll, franchise and other taxes)	$2,114,343.49	
Provision for Bad Debts	97,291.85	2,211,635.34
Operating Profit, before Depreciation, Etc., and Taxes		2,047,706.51
Taxes (other than Federal income taxes):		
Property, Franchise and Other Taxes	454.920.29	
Federal and State Payroll Taxes	132,543.31	587,463.60
Operating Profit, before Depreciation, Etc.		1,460,242.91
Other Income:		
Profit on Sale of Equipment	65,588.93	
Excess of Principal and Face Value over Cost of Bonds and Mortgage Notes Purchased and Retired	6,869.01	
Cash Discounts Received, less Cash Discounts Allowed	86,406.86	
Rental Property Income, less Expenses (excluding Depreciation, Etc., and Taxes)	39,487.93	
Bad Debts Recovered	8,172.02	
Sundry Income, less Sundry Deductions	23,059.93	229,584.68
		1,689,827.59
Interest Expense, less Interest Earned		132,338.30
Net Income, before Depreciation, Etc., and Provision for Federal Taxes on Income		1,557,489.29
Depreciation, Depletion and Amortization, including depreciation applicable to prior years, $181,610.72 (see Note 1)		805.815.25
Net Income, before Provision for Federal Taxes on Income		751,674.04
Provision for Federal Income Taxes (see Note 2)		225,135.15
Net Income, before Provision for Minority Stockholders		526,538.89
Provision for Minority Stockholders:		
Dividends Accrued on Preference Stocks of Subsidiaries (see Note 3)	260,075.75	
Portion of Net Income applicable to Common Stockholders of a Minor Subsidiary	6,340.68	266,416.43
Net Income for Year (see Notes 1 and 4)		$ 260,122.46

NOTES:

(1) In 1941 the Interstate Commerce Commission instructed a subsidiary company to change its method of calculating depreciation, resulting in a reduction in the normal 1941 depreciation expense of approximately $53,000, compared with that computed on the basis used in the preceding year. The retroactive application of this change in method resulted in an increase in the reserves for depreciation at December 31, 1940 of $181,610.72, which has been included by the company in the total depreciation charge for 1941. Changes made in depreciation rates by another subsidiary, in order to conform to Treasury Department adjustments, resulted in a decrease in 1941 expense by approximately $25,000. The net effect of these adjustments is to reduce the consolidated net income for 1941, after provision for minority stockholders, as compared with what it would have been on the basis used in the preceding year, by approximately $56,000.

(2) The company and its subsidiaries were not subject to Federal excess profits taxes for 1941.

(3) Provision for preferred dividends to minority stockholders has been made to the extent of the related surplus or subordinate capital. The amount provided is $96,830.38 less than the dividend requirement to minority preference stockholders.

(4) The net income for the year is before items charged or credited direct to Earned Surplus.

C. E. BARRY
Comptroller

THE PITTSTON
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CONSOLIDATED BALANCE S

ASSETS

Current Assets:		
Cash		$ 752,557.83
U. S. Treasury Bonds, at cost (quoted value, $42,929.24)		43,184.69
Notes, Trade Acceptances and Accounts Receivable:		
Notes and Trade Acceptances (including $23,524.29 pledged to secure bank loans)	$ 371,676.22	
Accounts:		
Trade	3,345,468.96	
Miscellaneous	77,090.62	
	3,794,235.80	
Less, Reserve for Bad Debts	181,107.23	3,613,128.57
Interest Receivable Accrued		6,697.57
Inventories, at lower of actual or replacement cost:		
Coal, Oil, Etc.	1,329,942.50	
Supplies	185,763.47	1,515,705.97
Total Current Assets		5,931,274.63
Special Deposits:		
U. S. Treasury Bonds and City of New York Corporate Stocks deposited under State self-insurance laws, at cost (quoted value, $601,077.50)	561,768.62	
Lease Deposit, City of New York Corporate Stock, at cost (quoted value, $7,385)	6,798.75	
Cash Deposits	20,366.56	588,933.93
Non-Current Receivables and Investments:		
Notes Receivable, Trade	138,216.52	
Sundry Claims and Accounts Receivable	89,024.11	
Mortgage Notes Receivable	74,585.29	
Miscellaneous Investments, at cost or nominal values	4,683.00	306,508.92
Fixed Assets, at book amounts at dates of acquisition, plus subsequent additions at cost, less reductions of $1,272,084.95 due to revaluations in 1939 and 1940 (see Notes 1 and 2):		
Bituminous Coal Properties, Other Properties and Equipment	20,673,753.12	
Less, Reserves for Depreciation, Depletion and Amortization	5,611,460.79	15,062,292.33
Leaseholds, net of amortization		2,333.94
Prepaid Expenses and Deferred Charges		137,282.94
		$22,028,626.69

NOTES:

(1) The net book value of fixed assets pledged as collateral for liabilities at December 31, 1941, aggregated $11,247,864.26, apportioned as follows:

	Collateral	*Net Liability*
First Mortgage Bonds	$ 9,638,915.46	$ 919,876.65
Real Estate Mortgage Notes	708,948.80	251,164.85
Bank Loans, Equipment Notes (collateral at approximate net book value)	900,000.00	608,000.00
	$11,247,864.26	$1,779,041.50

(2) As at February 1, 1939 certain coal yards and other fixed assets of the retail coal subsidiaries which operated in the New York Metropolitan District were leased to an unaffiliated company and operation of other such yards in the Metropolitan District was discontinued. The fixed assets, less reserves for depreciation, of such retail coal companies in the New York Metropolitan District are included in the accompanying balance sheet at a net book value of $1,045,428.96, of which $972,470.22 applies to the coal yards and other fixed assets leased and $72,958.74 applies to fixed assets idle at December 31, 1941. Fixed assets of other subsidiaries, included in the accompanying balance sheet at an aggregate net book value of $282,335.68 were also idle at December 31, 1941.

(3) The company and its subsidiaries were not subject to Federal excess profits taxes for 1941.

(4) The company has made no provision for proposed additional Federal income taxes of prior years amounting to approximately $39,000, upon which liability is denied.

COMPANY
rporation)
diaries

HEET, December 31, 1941

LIABILITIES

Current Liabilities:			
Bank Loans:			
Secured by Customers' Notes		$ 23,524.29	
Equipment Notes (secured by chattel mortgages on motor vehicles), due in 1942		241,300.00	
Unsecured		925,000.00	$ 1,189,824.29
Accounts Payable, Trade, Etc.			1,513,268.72
Workmen's Compensation and Public Liability Claims payable in 1942 (estimated)			125,361.63
Contract Obligation, maturing in 1942			17,500.00
Accrued Liabilities:			
Federal Income Taxes (see Notes 3 and 4)		267,142.61	
Payroll Taxes		72,924.80	
Other Taxes, Wages, Interest, Etc.		252,601.24	592,668.65
Total Current Liabilities (excluding mortgage notes and sinking fund payments due in 1942)			3,438,623.29
Income Received in Advance (estimated)			13,610.52
Contract Obligation, maturing subsequent to 1942			69,166.68
Bank Loans, Equipment Notes (secured by chattel mortgages on motor vehicles), due subsequent to 1942			366,700.00
Real Estate Mortgage Notes ($1,750 amortization payments due in 1942, and $137,022.35 carrying open due dates)			251,164.85
First Mortgage Bonds, maturities extending to 1948 ($90,000 Sinking Fund payments due in 1942):			
Outstanding		997,500.00	
Less, Cash in Sinking Funds for Retirements		77,623.35	919,876.65
4% Collateral Trust Bonds, Series A, due November 1, 1948 (see Note 5)			1,045,000.00
4% Collateral Trust Bonds, Series B, due November 1, 1948 (see Note 5)			1,198,000.00
Reserve for Claims Payable under State Self-Insurance Laws and Possible Extraordinary Loss as Self-Insurers, less $125,361.63 shown above as estimated amount payable in 1942			537,196.52
Reserve for Probable Loss on Disposal of Idle Properties			43,771.41
Equity of Minority Stockholders in Subsidiary Companies, including $836,426.17 cumulative dividends on preferred stocks (see Note 6)			6,131,622.43
Common Stock, no par value (see Note 5(c)):			
Authorized, 1,200,000 shares			
Issued, 1,075,100 shares		1,075,100.00	
Capital Surplus	$ 5,184,575.17		
Earned Surplus, since December 31, 1938 (see Note 5(c))	1,754,219.17	6,938,794.34	8,013,894.34
			$22,028,626.69

(5) (a) Under the indentures covering the 4% Collateral Trust Bonds, Series A and B, the following assets are pledged as collateral:

Series A Bonds:

All of the outstanding Common stocks of three subsidiaries, consolidated in the accompanying balance sheet, representing equities of $990,929.54 at December 31, 1941 in net assets of such subsidiaries (exclusive of goodwill).

Demand Notes Receivable from four subsidiary companies having an aggregate face value at December 31, 1941 of $1,246,314.09 and a net value, after reserves, of $915,370.60, all of which have been eliminated in the accompanying consolidated balance sheet.

Series B Bonds:

The portion owned by The Pittston Company of the outstanding Preferred and Common stocks of a subsidiary included in the accompanying consolidated balance sheet, representing equities of $7,707,948.92 at December 31, 1941 in the consolidated net assets of the subsidiary (exclusive of goodwill).

The stocks and notes described under Series A Bonds above, but subject in all respects to the prior lien of the Series A Bonds.

(b) The Collateral Trust Bonds are subject to redemption, in whole or in part, upon 30 days notice at the principal amount plus accrued interest to the date of redemption.

(c) Under the provisions of a supplemental indenture dated December 17, 1941, covering the Collateral Trust Bonds, The Pittston Company (Parent) agrees not to pay any dividend upon any of its stock so long as the Series A Bonds are outstanding.

(6) Accumulated undeclared dividends at December 31, 1941 on a subsidiary's Preferred stock owned by minority stockholders amounted to $2,851,810.50, of which $836,426.17 has been included in the equity of minority stockholders in the accompanying consolidated balance sheet. There was not sufficient surplus or subordinate capital available in that subsidiary from which to provide the difference of $2,015,384.33.

C. E. BARRY
Comptroller

CONSOLIDATED SURPLUS STATEMENT

For the year ended December 31, 1941

Earned Surplus (since December 31, 1938)

Consolidated Deficit (since December 31, 1938), December 31, 1940		$ 1,672,221.00
Add:		
Loss on Sale and Abandonment of Properties (see Note 1)	$ 369,885.01	
Loss on settlement of old claim arising from condemnation of property	30,362.04	
Additional Federal, State and Local Taxes of Prior Years	57,435.06	
	457,682.11	
Proportion of above adjustments applicable to Minority Stockholders of Subsidiaries	115,866.07	341,816.04
		2,014,037.04
Deduct:		
Consolidated Net Income for the Year ended December 31, 1941	260,122.46	
Excess of principal amount over cost of Debenture Bonds purchased and retired	3,500,000.00	
Interest adjustment on Notes Payable purchased	8,133.75	3,768,256.21
Consolidated Earned Surplus (since December 31, 1938), December 31, 1941 (see Note 2)		$ 1,754,219.17

Capital Surplus

Consolidated Capital Surplus, December 31, 1940		$ 4,281,835.17
Add:		
Excess of stated value over cost of Class A Stock purchased and retired	$ 900,000.00	
Excess of par value of Preferred Stock of Subsidiary, plus accrued dividends, over cash paid for purchase and retirement thereof or cash and par value of new stocks issued in exchange therefor	2,740.00	902,740.00
Consolidated Capital Surplus, December 31, 1941		$5,184,575.17

NOTES:

(1) In accounting for profits or losses on sales or other disposals of fixed assets, it has been the company's consistent policy to make such adjustments directly to Earned Surplus in the case of major properties (land, buildings, etc.). Similar adjustments covering normal disposals of equipment, etc., have been reflected in the income statement.

(2) Under the terms of a supplemental indenture covering the 4% Collateral Trust Bonds, The Pittston Company (Parent) agrees not to pay any dividends upon any of its stock so long as the Series A Bonds are outstanding.

C. E. BARRY
Comptroller

AUDITORS' REPORT

To the Stockholders of
The Pittston Company:

We have examined the consolidated balance sheet of THE PITTSTON COMPANY and its subsidiaries as at December 31, 1941, and the consolidated statements of income and surplus for the fiscal year then ended. We have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In 1941 the Interstate Commerce Commission instructed a subsidiary company to change its method of calculating depreciation, resulting in a reduction in the normal 1941 depreciation expense of approximately $53,000, compared with that computed on the basis used in the preceding year. The retroactive application of this change in method resulted in an increase in the reserves for depreciation at December 31, 1940 of $181,610.72, which has been included by the company in the total depreciation charge for 1941. Changes made in depreciation rates by another subsidiary, in order to conform to Treasury Department adjustments, resulted in a decrease in 1941 expense by approximately $25,000. The net effect of these adjustments is to reduce the consolidated net income for 1941, after provision for minority stockholders, as compared with what it would have been on the basis used in the preceding year, by approximately $56,000.

In our opinion, except for the qualification in the preceding paragraph, the accompanying consolidated balance sheet and related consolidated statements of income and surplus, together with the notes thereto, present fairly the position of The Pittston Company and its subsidiaries at December 31, 1941, and the results of their operations for the fiscal year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

SCOVELL, WELLINGTON & COMPANY

New York, April 4, 1942

ACCOUNTANTS' CERTIFICATE

CHICAGO ELECTRIC MANUFACTURING COMPANY:

We have examined the balance sheet of Chicago Electric Manufacturing Company as of December 31, 1941 and the related summary of income and earned surplus for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. Our examination of inventories included physical tests of quantities.

In our opinion, the accompanying balance sheet and summary of income and earned surplus fairly present the financial condition of the Company at December 31, 1941 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS.

Chicago,
January 23, 1942.

BALANCE SHEET

December 31, 1941 and 1940

ASSETS

	1941	1940
Current assets:		
Cash	$ 44,161,584	$ 42,951,318
Marketable securities (market value $84,600,624)	84,561,460	66,580,197
Total cash and marketable securities	128,723,044	109,531,515
Accounts and notes receivable, less reserves:		
Customers	59,948,991	34,904,448
Affiliated companies	10,249,547	8,195,540
Other	6,273,341	1,388,714
Installation work in progress	22,303,474	13,252,216
Inventories, at the lower of cost or market, less reserves	175,626,375	98,381,585
	403,124,772	265,654,018
Less: Advance collections on contracts	50,926,957	23,220,982
Total current assets	352,197,815	242,433,036
Other assets:		
Marketable securities deposited as guarantees	1,558,000	1,551,000
Accounts and notes receivable not current, less reserves	3,311,551	1,660,894
Loans to employees	50,464	59,922
Advances to employees for traveling expenses	205,627	175,367
Prepaid expenses	193,073	167,969
Total other assets	5,318,715	3,615,152
Assets of employee plans, per contra	4,741,270	†
Deferred charges to income for pensions	4,000,000	5,000,000
Investments:		
Affiliated companies:		
International General Electric Company, Inc.	26,896,588	25,757,273
Investment companies	53,845,908	76,671,803
Manufacturing, selling, real estate, and other companies	43,635,149	52,020,872
Miscellaneous	3,605,461	3,953,701
General Electric Company common stock—73,677.04 shares (market value $1,952,000)	1,642,345	653,732
	129,625,451	159,057,381
Less: Reserve for investments	487,472	16,044,236
Total investments	129,137,979	143,013,145
Fixed assets:		
Plant and equipment, at cost	247,201,770	212,651,425
Less: Depreciation reserves	185,519,138	171,150,018
	61,682,632	41,501,407
Patents and franchises	1	1
Total fixed assets*	61,682,633	41,501,408
	$557,078,412	$435,562,741
†No balance sheet segregation in 1940.		
*Unexpended appropriations for Company financed plant facilities amounted to	$30,400,000	$30,500,000

BALANCE SHEET

December 31, 1941 and 1940

LIABILITIES AND CAPITAL

	1941	1940
Current liabilities:		
Accounts payable	$ 18,122,712	$ 14,490,314
Taxes, payrolls, and current accruals	151,683,230	62,821,265
Due to affiliated companies	783,921	988,678
Dividends unpaid	10,069,634	
Total current liabilities	180,659,497	78,300,257
Accounts payable and accruals—not current	7,626,575	7,438,426
Collections under employee plans, per contra	4,741,270	4,524,641
Charles A. Coffin Foundation	400,000	400,000
Miscellaneous reserves	31,753,764	18,843,515
General reserve	15,130,381	17,417,504
Special stock—6% cumulative; par value $10 (authorized and unissued 1,207,036 shares)		
Common stock and earned surplus:		
Common stock (authorized 29,600,000 shares no par value; issued 28,845,927.36 shares)	180,287,046	180,287,046
Earned surplus	136,479,879	128,351,352
Total common stock and earned surplus	316,766,925	308,638,398
	$557,078,412	$435,562,741

Contingent liabilities are covered by the General Reserve.

PEAT, MARWICK, MITCHELL & CO.

Certified Public Accountants

ACCOUNTANTS' REPORT

To the Board of Directors of the
General Electric Company, New York, N. Y.

We have examined the Balance Sheet of the General Electric Company as at December 31, 1941, and the Statement of Income and Earned Surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

We have confirmed the cash and securities by count and inspection or by certificates which we have obtained from the depositaries. We have also examined the accounts of the International General Electric Company, Incorporated, G.E. Employees Securities Corporation, Electrical Securities Corporation, General Electric Realty Corporation, General Electric Contracts Corporation, and Canadian General Electric Company, Limited, on which we have reported separately. No examination has been made by us of other companies which are controlled through stock ownership, but Balance Sheets of these companies have been submitted to us. The accounts of these companies, with certain minor exceptions, are examined periodically by the internal audit staff of the Company under the direction of the Comptroller. We reviewed their reports thereon and generally satisfied ourselves that the established accounting procedures of the Company were being followed. The amounts at which the investments in and advances to affiliated companies are carried are based on the accounts thus examined, and, including Miscellaneous Investments, in our opinion, are conservatively stated.

We have scrutinized the accounts and notes receivable, and believe that full provision has been made for possible losses through doubtful debts. Requests for confirmation of notes and accounts receivable were mailed to a number of debtors, selected by us, and notifications of exceptions were explained to our satisfaction.

Inventories of merchandise, work in progress, and materials and supplies taken and valued by employees of the Company under the direction of the management and certified by officials of the Company as to description, quantities, condition and valuation have been submitted to us. We reviewed the plan and system of control adopted for inventory purposes and observed the physical taking of such portion thereof as we deemed necessary to satisfy ourselves that the methods of taking and recording the quantities were carried out effectively. Ample allowance has been made for inactive and obsolete stocks, and the inventories are stated conservatively at an amount not in excess of cost or market, whichever is lower. Provision has also been made for probable allowances or additional expenditures on completed contracts.

Expenditures capitalized in the plant and equipment accounts during the year were properly so chargeable as representing additions or improvements, and adequate provision has been made in the operating accounts for depreciation.

All ascertained liabilities have been included in the accounts.

In our opinion, based upon such examination and review, the accompanying Balance Sheet and related Statement of Income and Earned Surplus present fairly the position of the General Electric Company at December 31, 1941, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.
February 25, 1942.

STATEMENT OF ORDERS RECEIVED, INCOME AND EARNED SURPLUS

	1941	1940
Orders received	$1,132,837,258	$654,189,642
Net sales billed	$ 679,333,760	$411,938,259
Costs, expenses, and other charges, except those shown separately below	497,254,031	312,355,443
	182,079,729	99,582,816
Depreciation of plant and equipment	20,954,538	14,805,495
Income from sales, before federal taxes on income	161,125,191	84,777,321
Income from other sources:		
Interest and dividends from affiliated companies and miscellaneous investments	13,024,505	11,923,561
Income from marketable securities	1,063,202	582,399
Interest on bank balances and receivables	225,898	222,829
Royalties and sundry revenue—net	1,758,703	734,973
	16,072,308	13,463,762
Profit before provision for federal taxes on income	177,197,499	98,241,083
Provision for federal income and excess profits taxes*	120,000,000	42,000,000
Profit available for dividends	57,197,499	56,241,083
Earned surplus at beginning of year	128,351,352	124,310,036
	185,548,851	180,551,119
Revaluation of investments for undistributed earnings of affiliates—net	1,358,153	1,094,679
	186,907,004	181,645,798
Dividends on common stock	50,427,125	53,294,446
Earned surplus at end of year	$ 136,479,879	$128,351,352

*Provision for all taxes for the year was $ 144,978,000 (1941) $ 54,943,000 (1940)

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY
(Incorporated in Delaware)
AND DOMESTIC AND CANADIAN SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1941

ASSETS

CURRENT ASSETS:	
Cash	$ 3,265,695.91
United States Treasury Tax Anticipation Notes—Series B	450,000.00
Dominion of Canada 3% bonds, due 1951 (quoted market value, $13,412.15)	13,513.50
Trade notes and accounts receivable (less reserve for doubtful notes and accounts, $62,004.50)	3,352,833.77
Sundry accounts receivable (including employees accounts)	107,371.13
Inventories—raw materials, supplies, goods in process, and finished goods (at cost, not in excess of market—see Note 3)	6,851,495.98
Total current assets	$14,040,910.29
ACCOUNTS RECEIVABLE FROM ENGLISH AND SWEDISH SUBSIDIARIES	9,591.76
INVESTMENT IN ENGLISH AND SWEDISH SUBSIDIARIES	44,617.62
CASH VALUE OF LIFE INSURANCE POLICIES	215,985.02
REAL ESTATE, PLANT, AND EQUIPMENT—AT COST LESS RESERVES FOR DEPRECIATION, $1,924,013.26	3,581,206.41
PATENTS—LESS AMORTIZATION, $72,925.13	186,798.21
TRADEMARKS AND GOODWILL	1.00
DEFERRED CHARGES, ETC.	262,532.18
TOTAL	$18,341,642.49

LIABILITIES

CURRENT LIABILITIES:			
Accounts payable			$ 700,463.49
Accrued accounts—expenses and taxes other than income and capital stock taxes			351,671.01
Income and capital stock taxes:			
Federal, Canadian (including Dominion excess profits taxes), and state taxes other than Federal excess profits taxes			1,744,923.30
Federal excess profits taxes			2,570,000.00
Total current liabilities			$ 5,367,057.80
SPECIAL CONTINGENCY RESERVE			500,000.00
CAPITAL STOCK:			
Preferred (authorized, 94,074 shares of $100.00 par value each) 4% Convertible, Series B—issued and outstanding, 30,700 shares		$3,070,000.00	
Common (authorized, 750,000 shares without par value):			
Issued	621,963 shares		
Less in treasury	63 shares		
Remainder—outstanding	621,900 shares	3,291,499.00	
Total capital stock			6,361,499.00
SURPLUS:			
Paid-in and other capital surplus		$ 891,990.43	
Earned surplus		5,221,095.26	
Total surplus			6,113,085.69
TOTAL			$18,341,642.49

NOTES:

1. At December 31, 1941, the Company was contingently liable in the amount of $1,240.96 with respect to its guaranty of a bank indebtedness of the English subsidiary.
2. Included in current assets and liabilities are $436,101.18 and $132,991.07, respectively, for the Canadian subsidiary, which amounts are stated on the basis of the official rate of $.9009 for the Canadian dollar at December 31, 1941, except as to inventories manufactured by the companies in the United States, which are stated at manufactured cost plus freight and duty. Real estate, plant, and equipment include $13,370.02 representing depreciated value of fixed assets of the Canadian subsidiary.
3. The inventories at December 31, 1941, other than supplies (which were valued generally on the first-in, first-out basis) were valued on the basis of "standard costs" adjusted for variances. The costs thus computed do not exceed the market value; i. e., the replacement cost. Inter-company profits have been eliminated from the inventories.

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY AND DOMESTIC AND CANADIAN SUBSIDIARIES

Statement of Consolidated Income and Surplus For the Year Ended December 31, 1941

NET SALES		$24,257,811.38
DEDUCT:		
Cost of goods sold and operating expenses	$16,227,471.56	
Depreciation	583,246.63	
Total		16,810,718.19
NET PROFIT FROM OPERATIONS		$ 7,447,093.19
OTHER INCOME CREDITS:		
Interest earned	$ 13,128.33	
Miscellaneous	84,565.34	
Total		97,693.67
GROSS INCOME		$ 7,544,786.86
OTHER INCOME CHARGES:		
Provision for income and capital stock taxes:		
Federal, Canadian (including Dominion excess profits taxes), and state taxes other than Federal excess profits taxes	$1,732,323.39	
Federal excess profits taxes	2,570,000.00	
Miscellaneous	5,167.98	
Total		4,307,491.37
NET INCOME BEFORE PROVIDING FOR SPECIAL CONTINGENCY RESERVE		$ 3,237,295.49
PROVISION FOR SPECIAL CONTINGENCY RESERVE		500,000.00
NET INCOME		$ 2,737,295.49
EARNED SURPLUS, JANUARY 1, 1941		4,472,299.77
Total		$ 7,209,595.26
SURPLUS CHARGES:		
Dividends:		
Preferred	$ 122,800.00	
Common	1,865,700.00	
Total		1,988,500.00
EARNED SURPLUS, DECEMBER 31, 1941		$ 5,221,095.26
PAID-IN AND OTHER CAPITAL SURPLUS, JANUARY 1, AND DECEMBER 31, 1941		891,990.43
TOTAL SURPLUS		$ 6,113,085.69

NOTES:

1. Net sales include $87,081.95 by the Company and its domestic and Canadian subsidiaries to the English and Swedish subsidiaries.
2. The cost of goods sold was computed on the basis of "standard costs" adjusted for variances.
3. Patent costs of Minneapolis-Honeywell Regulator Company prior to January 1, 1933, and of The Brown Instrument Company prior to January 1, 1935, were either written off to, or amortized out of, surplus. The patent costs after these dates have been capitalized and are being amortized by charges to income.

ACCOUNTANTS' CERTIFICATE

Minneapolis-Honeywell Regulator Company:

We have examined the consolidated balance sheet of Minneapolis-Honeywell Regulator Company and its domestic and Canadian subsidiaries as of December 31, 1941, and the related statement of consolidated income and surplus for the year ended that date, have reviewed the accounting procedures of the Companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we deemed necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

In our opinion, the accompanying consolidated balance sheet and related statement of consolidated income and surplus fairly present the financial condition of the Companies at December 31, 1941, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

Haskins & Sells.

Minneapolis,
March 4, 1942.

MAIN AND COMPANY
Certified Public Accountants

PITTSBURGH, PA.
February 11, 1942

To the Stockholders,
WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY.

ACCOUNTANTS' CERTIFICATE

We examined the consolidated balance sheet of Westinghouse Electric & Manufacturing Company and its subsidiaries as at December 31, 1941 and the related consolidated statements of income and surplus for the year 1941. In connection therewith, without making a detailed audit of the transactions, we examined or tested the accounting records of the companies and other supporting evidence in accordance with generally accepted auditing standards applicable in the circumstances, and included all procedures which we considered necessary in view of the companies' system of internal control. We made use of reports prepared periodically by the companies' own auditors. In the case of subsidiaries operating in other countries, we accepted reports prepared by other accountants or by the companies.

The cash and securities were duly verified.

The receivables, which we verified during the year by confirmation with the debtors to the extent deemed appropriate, are, in our opinion, conservatively stated, in view of the reserves set aside to provide for possible losses in collection.

The inventories, after deducting reserves of $11,237,847.19 for variations and contingencies, are conservatively stated not in excess of lower of cost or market. The major part of the inventories was verified at various times during the year by actual inspections under our general supervision; however, physical count of approximately 36% of the value of inventories was omitted during 1941 to avoid interruption of production for national defense purposes. We extended our review of the companies' accounting methods and controls in respect of such inventories where physical count was omitted. A special provision for inventory losses of $1,000,000, chargeable to income, was made in 1941 for indeterminable losses due to conditions arising out of the war.

The investments in wholly-owned and majority-owned companies not consolidated are valued at the companies' equity therein or less, as reflected by reports of these companies as at December 31, 1941, except as to one foreign subsidiary, carried at nominal value, for which report was not available. The investments in minority-owned associated companies are generally carried at cost or less.

The companies' policy during 1941 with reference to additions to and retirements of their properties, as well as to the reserves for depreciation, is, in our opinion, conservative.

The ascertainable direct and contingent liabilities are as shown upon the accompanying consolidated balance sheet and in the notes thereto.

Foreign current accounts have been converted into dollars at the approximate rates of exchange prevailing at December 31, 1941. Reserves have been provided, by a charge to surplus, for the entire investment in enemy and invaded countries.

In our opinion, the accompanying consolidated balance sheet of Westinghouse Electric & Manufacturing Company and the related consolidated statements of income and surplus for the year 1941 and the balance sheet of Westinghouse Electric Supply Company, with the explanatory notes attached thereto, present fairly the positions of the companies at December 31, 1941 and the results of their operations for the year 1941 in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MAIN AND COMPANY
Certified Public Accountants

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
DENVER NATIONAL BUILDING
DENVER

ACCOUNTANTS' CERTIFICATE

AMERICAN CRYSTAL SUGAR COMPANY:

We have examined the consolidated balance sheet of American Crystal Sugar Company, incorporated in New Jersey, and its wholly owned subsidiary, as of March 31, 1942 and the related summary of consolidated income and surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying consolidated balance sheet and summary of consolidated income and surplus fairly present the financial condition of the companies at March 31, 1942 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS.

Denver, Colorado, May 7, 1942.

AMERICAN CRYSTAL SUGAR COMPANY
AND
ITS WHOLLY OWNED SUBSIDIARY
CONSOLIDATED BALANCE SHEET
March 31, 1942 and 1941, and Comparison

ASSETS	March 31, 1942	March 31, 1941	Increase Or Decrease
CURRENT ASSETS:			
Cash	$ 761,779.59	$ 790,912.73	$ 29,133.14†
Accounts receivable:			
Trade	1,490,320.32	1,567,210.17	76,889.85†
Farmers and others	391,727.20	173,492.42	218,234.78
Officers and employees	....	....	....
Inventories:			
Refined sugar, pulp, molasses, etc. (at cost which is less than market)—including freight paid to market storage points and excise tax on manufacture of sugar	8,817,187.32	10,209,904.66	1,392,717.34†
Beet seed—at cost	478,162.20	304,469.83	173,692.37
Material and supplies—at cost or less	1,257,404.73	572,004.45	685,400.28
Advances applicable to growing crops on company-owned farms, beet seed, and joint livestock feeding operations	145,665.04	156,050.31	10,385.27†
Total current assets	13,342,246.40	13,774,044.57	431,798.17†
FIXED ASSETS:			
Factory, farm and railroad buildings, machinery, equipment, etc. (based in part on cost and in part on appraisals as of dates of acquisition)	20,592,545.14	20,393,221.50	199,323.64
Less reserve for depreciation	11,523,223.93	10,898,518.05	624,705.88
Buildings and equipment (net)	9,069,321.21	9,494,703.45	425,382.24†
Farm lands, water rights, and sundry property	4,679,069.13	4,713,570.33	34,501.20†
Total fixed assets—depreciated value	13,748,390.34	14,208,273.78	459,883.44†
OTHER ASSETS:			
Western Seed Production Corporation capital stock—at cost	25,014.11	25,014.11	....
Prepaid expenses, etc.	93,673.47	91,523.10	2,150.37
Total other assets	118,687.58	116,537.21	2,150.37
TOTAL	$27,209,324.32	$28,098,855.56	$ 889,531.24†

† Denote decreases.

AMERICAN CRYSTAL SUGAR COMPANY

AND

ITS WHOLLY OWNED SUBSIDIARY

CONSOLIDATED BALANCE SHEET

March 31, 1942 and 1941, and Comparison

LIABILITIES

	March 31, 1942	March 31, 1941	Increase Or Decrease
CURRENT LIABILITIES:			
Notes payable to banks—unsecured	$ 500,000.00	$ 1,700,000.00	$ 1,200,000.00†
Accounts payable	240,017.93	250,837.73	10,819.80†
Accrued taxes:			
Federal taxes on income and excise tax on manufacture of sugar less, at March 31, 1942, United States Treasury tax notes of $1,000,800	2,722,626.47 (1)	2,814,652.71	92,026.24†
Other	326,857.75	254,165.80	72,691.95
Dividends payable April 1	........(2)	187,272.00	187,272.00†
Estimated additional payments for beets (applicable to sugar sold to March 31)	213,881.66	165,299.13	48,582.53
Total current liabilities	4,003,383.81	5,372,227.37	1,368,843.56†
RESERVES:			
Losses on uninsured properties	544,795.90	512,650.23	32,145.67
Employees' retirement pensions	124,000.00	100,000.00	24,000.00
Contingencies	....	140,000.00	140,000.00†
Total reserves	668,795.90	752,650.23	83,854.33†
CAPITAL STOCK AND SURPLUS:			
First preferred stock ($100 par value) 6% cumulative, authorized and issued 64,358.2 shares; less 160 shares in treasury	6,419,820.00	6,419,820.00	....
Common stock ($10 par value) authorized 425,000 shares; issued 364,017 shares; less 51 shares in treasury	3,639,660.00	3,639,660.00	....
Surplus:			
Earned	4,493,969.08	3,930,802.43	563,166.65
Capital	7,983,695.53	7,983,695.53	....
Total capital stock and surplus	22,537,144.61	21,973,977.96	563,166.65
TOTAL	$27,209,324.32	$28,098,855.56	$ 889,531.24†

† Denote decreases.

NOTES:—(1) Provision for proposed additional Federal income taxes for past periods and interest thereon is included above in amounts deemed to be adequate.

(2) Funds were transferred to the paying agent on March 31, 1942 in settlement of the liability for preferred and common dividends aggregating $278,263.50 due April 1, 1942.

AMERICAN CRYSTAL SUGAR COMPANY

AND

ITS WHOLLY OWNED SUBSIDIARY

SUMMARY OF CONSOLIDATED INCOME AND SURPLUS

For the Years Ended March 31, 1942 and 1941, and Comparison

	Year Ended March 31		Increase Or
	1942	1941	Decrease
Gross sales of refined sugar and dried pulp, less returns and allowances and federal excise tax applicable to sugar sold	$20,868,827.02	$19,730,851.63	$ 1,137,975.39
Cost of sales (including selling, general and administrative expenses)	17,403,699.31	17,858,193.81	454,494.50†
Profit from sales	3,465,127.71	1,872,657.82	1,592,469.89
Net operating income from other sources, including company farms, other by-products, etc.	178,722.85	157,235.42	21,487.43
Net operating income	3,643,850.56	2,029,893.24	1,613,957.32
Other income—interest, discount, sundry adjustments, etc.	39,721.05	31,708.45	8,012.60
Gross income	3,683,571.61	2,061,601.69	1,621,969.92
Other deductions:			
Interest	16,968.56	51,818.23	34,849.67†
Miscellaneous taxes	134,830.98	94,812.27	40,018.71
Provision for employees' retirement pensions	24,000.00	50,000.00	26,000.00†
Miscellaneous	7,677.32	9,397.12	1,719.80†
Total	183,476.86	206,027.62	22,550.76†
Net income before federal taxes on income	3,500,094.75	1,855,574.07	1,644,520.68
Provision for federal taxes on income:			
Income	1,050,000.00	680,000.00	370,000.00
Excess profits	980,000.00	....	980,000.00
Total	2,030,000.00	680,000.00	1,350,000.00
Net income for the year	1,470,094.75	1,175,574.07	294,520.68
Earned surplus at beginning of the year	3,930,802.43	3,504,316.36	426,486.07
Surplus credit applicable to prior years:			
Excess of net refund (processing and floor stock tax refunds less windfall tax payment) and related interest over payments to beet growers of $172,921.61 arising therefrom	115,134.40	....	115,134.40
Total	5,516,031.58	4,679,890.43	836,141.15
Dividends:			
Preferred capital stock	385,122.00	385,122.00	....
Common capital stock	636,940.50	363,966.00	272,974.50
Total	1,022,062.50	749,088.00	272,974.50
Earned surplus at end of the year	$ 4,493,969.08	$ 3,930,802.43	$ 563,166.65
Capital surplus at end of the year	$ 7,983,695.53	$ 7,983,695.53	$ ....

† Denote decreases.

NOTE: Net income is after depreciation (applicable to products sold) aggregating $883,879.73 for 1942 and $922,704.66 for 1941; the latter is classified above on the 1942 basis.

The American Sugar Refining Company

and Subsidiary Companies

Consolidated Balance Sheet—December 31, 1941

ASSETS

Current assets:		
Cash in banks and on hand		$ 16,524,995.91
United States Treasury tax notes		2,253,600.00
Notes and accounts receivable, less reserve		7,878,121.87
Accrued income, interest earned and dividends declared but not received		23,494.81
Marketable securities at market value		4,195,610.60
Inventories: Sugar, refined, in process and raw at the lower of cost or market, and materials and supplies at cost		14,348,498.55
Total current assets		$ 45,224,321.74
Investments:		
Other than marketable, less reserve	$ 3,792,456.77	
Real estate, less reserve	354,852.25	4,147,309.02
Other assets:		
Loans, mortgages, etc., including advances to colonos, which may be subject to Cuban moratorium laws, less reserves		563,761.74
Due from officers and employees under stock purchase plan and at Cuban stores, less reserve		14,725.64
Fixed assets:		
Property, plant and equipment	$114,356,203.18	
Less: Reserves for depreciation and amortization	46,509,096.29	67,847,106.89
Deferred charges, including timber rights, less reserve		1,097,707.11
		$118,894,932.14

LIABILITIES

Current liabilities:		
Accounts and taxes payable, etc.		$ 7,802,658.19
Dividends declared payable January 2, and February 2, 1942, and former dividends unpaid		1,714,999.67
Total current liabilities		$ 9,517,657.86
Reserve for war contingencies		1,500,000.00
Sundry reserves for pensions, insurance and contingencies		7,745,924.77
Capital stock, authorized and outstanding:		
Preferred, 7% cumulative, $100 par, 450,000 shares	$45,000,000.00	
Common, $100 par, 450,000 shares	45,000,000.00	90,000,000.00
Earned surplus		10,131,349.51
		$118,894,932.14

The American Sugar Refining Company

and Subsidiary Companies

Consolidated Statement of Income and Profit and Loss for Year 1941

Net sales, and miscellaneous revenue		$138,619,140.10
Costs and all expenses (except depreciation and federal income taxes, below)		130,892,762.16
Profit from operations		$ 7,726,377.94
Interest and income from investments		1,201,285.11
		$ 8,927,663.05
Depreciation	$1,950,000.00	
Loss on sale of investment in inactive subsidiary company, less reserve	60,150.00	
Federal income taxes—estimated (no excess profits tax)	1,500,000.00	
		3,510,150.00
Net income		$ 5,417,513.05
Provision for war contingencies		1,500,000.00
Balance of net income added to surplus		$ 3,917,513.05

Consolidated Statement of Earned Surplus for Year 1941

Balance, December 31, 1940		$ 10,142,226.26
Add:		
Amount of reserve no longer required against timber rights, due to amortization provided out of current earnings		121,601.20
Balance of net income for year ended December 31, 1941, after provision for war contingencies, as per consolidated statement of income and profit and loss		3,917,513.05
		$ 14,181,340.51
Deduct:		
Dividends declared during year 1941:		
On preferred stock	$3,149,993.00	
On common stock	899,998.00	4,049,991.00
Balance, December 31, 1941		$ 10,131,349.51

Consolidated Statement of Sundry Reserves for Pensions, Insurance and Contingencies for Year 1941

Balance, December 31, 1940	$ 6,625,725.41
Add:	
Amount formerly appropriated to reduce marketable securities to market value, no longer required	1,037,451.77
Exchange differences due to conversion of Cuban to U. S currency in consolidation of the accounts	82,747.59
Balance, December 31, 1941	$ 7,745,924.77

Reserve for war contingencies .... $ 1,500,000.00

DELOITTE, PLENDER, GRIFFITHS & CO.
UNITED STATES, CANADA, CUBA, MEXICO,
SOUTH AMERICA, GREAT BRITAIN,
CONTINENTAL EUROPE AND SOUTH AFRICA

49 WALL STREET

New York, March 2, 1942

To the Board of Directors and Stockholders,
The American Sugar Refining Company.

We have examined the consolidated balance sheet of The American Sugar Refining Company and its subsidiary companies as of December 31, 1941, and the consolidated statements of income and profit and loss, earned surplus and sundry reserves for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods, at times and to the extent we deemed appropriate.

We have satisfied ourselves as to the quantities of the inventories and have confirmed accounts receivable by direct communication with a representative number of debtors.

The company and a domestic subsidiary, which have hitherto charged losses on plant retirements to depreciation reserves, in 1941 have charged such losses against income. This change in accounting procedure has our approval and the effect on the attached accounts is not material.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and profit and loss, earned surplus and sundry reserves present fairly the consolidated position of the companies at December 31, 1941 and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as set forth in the preceding paragraph.

DELOITTE, PLENDER, GRIFFITHS & CO.
Auditors.

ARMOUR AND COMPANY (An Illinois Corporation) AND SUBSIDIARIES

INCLUDING ARMOUR AND COMPANY OF DELAWARE
AND ITS DOMESTIC AND FOREIGN SUBSIDIARIES

CONSOLIDATED INCOME AND SURPLUS STATEMENT

FOR FIFTY-TWO WEEKS ENDED NOVEMBER 1, 1941

(See attached statement for particulars of foreign income included in consolidation)

Gross sales to trade and operating revenues, less discounts, returns and allowances		$926,236,109
Cost of sales and operating expenses including transportation cost but excluding the expenses deducted below		834,874,650
		$ 91,361,459
Selling, advertising, general and administrative expenses	$49,036,631	
Provision for depreciation	6,665,102	
Taxes (other than miscellaneous taxes included in expenses but not separately classified and United States and foreign income taxes)	8,651,925	
Contribution to employes' pension fund	900,000	65,253,658
		$ 26,107,801
Other income:		
Dividends, exclusive of amounts credited to investments, and interest received (including $635,000 of dividends received from Winslow Bros. & Smith Co. a 63.5% owned company—equity in current year's earnings of that company amounted to $1,347,206)	$ 1,478,270	
Miscellaneous other income	243,688	1,721,958
		$ 27,829,759
Income deductions:		
Interest and amortization of debt discount and expense—		
Current debt	$ 828,705	
Funded debt	2,811,724	
	$ 3,640,429	
Miscellaneous income deductions	506,935	4,147,364
		$ 23,682,395
Unrealized exchange gain on translation of foreign accounts into U. S. currency		311,414
		$ 23,993,809
Portion of net gain in subsidiary companies applicable to minority interests		59,580
		$ 23,934,229
Provision for United States and foreign income taxes (subject to final determination by governmental taxing authorities)		7,254,367
Income before special charges		$ 16,679,862
Loss on sale of non-operating real estate	$ 155,058	
Transfer to deferred income—foreign earnings not readily realizable in U. S. currency because of exchange restrictions and $210,000 unrealized exchange gain on translation of foreign accounts into U. S. currency	1,413,394	1,568,452
Net income before deducting dividends paid on Armour and Company of Delaware 7% Guaranteed Cumulative Preferred Stock		$ 15,111,410
Dividends paid on Armour and Company of Delaware 7% Guaranteed Cumulative Preferred Stock, $7.00 per share, and $11,352 dividends on shares called for redemption January 1, 1942		3,757,002
Balance transferred to surplus (as shown below)		$ 11,354,408

	Capital and Paid-in Surplus	Earned Surplus Appropriated	Earned Surplus Unappropriated	Total Surplus
Balance—November 2, 1940	$37,708,980	$ 7,544,974	$12,829,892	$ 58,083,846
Changes during the year (italics indicate deductions):				
Net income after deducting dividends on Armour and Company of Delaware 7% Preferred Stock			11,354,408	11,354,408
Dividends paid on Armour and Company (Illinois) $6 Prior Preferred Stock, $1.50 per share			*799,494*	*799,494*
Appropriation for New York State workmen's compensation insurance reserve			*40,000*	*40,000*
Credit arising from write-up of carrying value of 891 shares of Armour and Company of Delaware 7% Preferred Stock which were released from escrow	89,100			89,100
Excess of equity in net earnings of Winslow Bros. & Smith Co. over dividends received from that company	712,206			712,206
Adjustment of certain inventories at November 2, 1940 required in connection with the change in the valuation of inventories to cost on the basis of "last in—first out"			147,308	147,308
Premium paid on purchase of Armour and Company of Delaware 7% Preferred Stock including provision for premium on shares called for redemption January 1, 1942	*67,929*			*67,929*
Appropriation of earned surplus for cost of Armour and Company of Delaware 7% Preferred Stock acquired during the year or called for redemption January 1, 1942		747,529	*747,529*	
Premium on Armour and Company of Delaware Series "B" Bonds retired			*14,550*	*14,550*
Miscellaneous adjustments	137		19	156
Balance—November 1, 1941	$38,442,494	$ 8,292,503	$22,730,054	$ 69,465,051

'ARMOUR AND COMPANY (An Illinois

INCLUDING ARMOUR AND COMPANY OF DELAWARE

CONSOLIDATED BALANCE

(See attached statement for particulars of Armour and Company

Current Assets:		
Cash		$ 18,281,511
Notes and accounts receivable—		
Trade notes (less reserve of $196,225)	$ 1,000,345	
Trade accounts (less reserve of $780,330)	48,680,173	
Other notes and accounts	2,494,941	52,175,459
Inventories—Packing house products valued on the basis of market less allowance for selling expenses, other products and supplies at the lower of cost or market (except for certain packing house and other products aggregating $17,509,623, which have been valued at cost on basis of "last in—first out")—		
Packing house and other products	$105,361,125	
Supplies	13,637,959	118,999,084
Intercompany current accounts receivable (covered by net current assets)—Subsidiaries not consolidated		776,477
		$190,232,531
Investment Stocks, Bonds and Advances (see schedule)		11,018,172
Fixed Assets:		
Land, buildings, machinery and fixed equipment (including land regarded as available for sale carried at approximately $7,200,000)	$192,147,691	
Illinois company and subsidiaries (exclusive of Delaware company and subsidiaries) at cost, less adjustments of certain property values in 1934.		
Delaware company and subsidiaries at acquisition values from Illinois company in December, 1922, plus additions since at cost to consolidated companies, less adjustments of certain property values in 1934.		
Reserve for depreciation after giving effect to adjustments of certain property values in 1934	61,853,321	
	$130,294,370	
Refrigerator cars, delivery equipment, tools, etc.—at cost less accrued depreciation	11,282,277	141,576,647
Goodwill—less amortization		187,979
Deferred Charges:		
Prepaid insurance premiums	$ 982,062	
Taxes and other prepaid or deferred items	830,398	
	$ 1,812,460	
Debt discount and expense	2,571,616	4,384,076
		$347,399,405

Corporation) AND SUBSIDIARIES

AND ITS DOMESTIC AND FOREIGN SUBSIDIARIES

SHEET—NOVEMBER 1, 1941

of Delaware foreign assets and liabilities included in consolidation)

Current Liabilities:		
Notes payable—		
Banks—including $2,721,351 foreign	$ 46,191,351	
Acceptances—including $68,901 foreign	144,440	
Other	192,500	$ 46,528,291
Accounts payable		12,060,518
Accrued liabilities—		
Payrolls	$ 3,045,959	
Interest and other items	824,662	3,870,621
Reserve for United States and foreign income taxes (subject to final determination by governmental taxing authorities)		10,213,371
Reserve for general and social security taxes		4,172,478
Funded debt payable within one year		836,000
Preferred stock of Armour and Company of Delaware, called for redemption January 1, 1942 including premium and accrued dividend thereon to be paid on redemption		724,922
		$ 78,406,201
Reserves:		
For contingencies (no change during year)	$ 4,000,000	
For New York State workmen's compensation insurance	120,000	4,120,000
Funded Debt:		
Armour and Company of Delaware First Mortgage Twenty-Year 4% Sinking Fund Bonds—		
Series B, due August 1, 1955	$ 44,823,000	
Series C, due January 1, 1957	19,151,000	
	$ 63,974,000	
Less—amount thereof payable within one year, shown under current liabilities above (Series B $603,000—Series C $233,000)	836,000	63,138,000
Minority Stockholders' Equity in Subsidiaries Consolidated		237,121
Deferred Income—Foreign earnings not readily realizable in U. S. currency because of exchange restrictions and $210,000 unrealized exchange gain on translation of foreign accounts into U. S. currency		1,913,434
Armour and Company of Delaware 7% Guaranteed Cumulative Preferred Stock—Par value $100 per share—callable at and entitled in liquidation to $110 per share and guaranteed by Armour and Company (an Illinois corporation) as to dividends, annual and other redemptions and liquidation—		
Authorized—909,182 shares		
Issued —538,364 shares	$ 53,836,400	
Less — 6,487 shares called for redemption January 1, 1942 shown under current liabilities above and 682 shares held in treasury	716,900	53,119,500
Capital Stock:		
Armour and Company (an Illinois corporation)—		
$6 Cumulative Convertible Prior Preferred Stock—No par value (stated value $100 per share)—		
Authorized—572,313 shares		
Issued —532,996 shares	$ 53,299,600	
(Dividends in arrears $21.00 per share aggregating $11,192,916)		
7% Cumulative Preferred Stock—Par value $100 per share—		
Authorized—33,715 shares		
Issued —33,715 shares	3,371,500	
(Dividends in arrears $26.25 per share aggregating $885,019)		
Common Stock—Par value $5 per share—		
Authorized—15,000,000 shares		
Issued — 4,065,799½ shares	20,328,998	77,000,098
Surplus:		
Capital and paid-in surplus	$ 38,442,494	
Appropriated earned surplus (cost of Armour and Company of Delaware preferred stock redeemed, including shares called for redemption January 1, 1942 and of shares held in treasury for redemption)	8,292,503	
Unappropriated earned surplus	22,730,054	69,465,051
		$347,399,405

ACCOUNTANTS' REPORT

To the Board of Directors of Armour and Company:

We have examined the accompanying consolidated financial statements of Armour and Company (an Illinois corporation) and of Armour and Company of Delaware and their subsidiaries for the fifty-two weeks ended November 1, 1941. In connection therewith, we have reviewed the system of internal control and the accounting procedures of the principal companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included all procedures which we considered necessary.

In connection with the subsidiaries consolidated whose records were not examined or tested by us, we were furnished with balance sheets and statements of profit and loss supported by particulars of inventories, certificates covering bank balances, detailed lists of receivables and other supporting data. The books and records of these subsidiaries have been regularly audited by internal auditors employed by the company and the financial statements have been subjected to our review. Based on such review, supplemented by inquiries we have made, we are of the opinion that the accounting procedures followed by these subsidiaries are in accordance with accepted principles of accounting maintained by the companies and subsidiaries whose records were examined by us. The combined current assets of these subsidiaries whose records were not examined or tested by us represent a relatively small part of the total current assets shown on the consolidated balance sheets.

As of the beginning of the fiscal year under review the companies changed their method of valuing certain inventories, chiefly those of products requiring considerable time in processing, so as to apply the principle of "last in—first out" in the valuation of such inventories. Heretofore the inventories in question were valued, generally, on the basis of market less allowance for selling expenses or at approximate cost or market whichever lower, determined on the basis of "first in—first out". As a result of this change in accounting policy, which we approve, the inventories at November 1, 1941, of Armour and Company (an Illinois corporation) and subsidiaries (including Armour and Company of Delaware and subsidiaries) and of Armour and Company of Delaware and subsidiaries, were approximately $5,750,000 and $3,950,000 respectively, less than they would have been if valued on the bases formerly used. The effect on consolidated net profits (being profits after Federal income taxes) for the fiscal year ended November 1, 1941, was a reduction of approximately $4,200,000 in such net profits in the case of Armour and Company (an Illinois corporation) and subsidiaries (including Armour and Company of Delaware and subsidiaries) and approximately $2,750,000 in the case of Armour and Company of Delaware and subsidiaries. The change in the method of valuing inventories is permitted under the Federal income tax laws, but its application is subject to review and acceptance by the U. S. Treasury Department.

In our opinion, the accompanying consolidated balance sheets and related statements of income and surplus, supplemented by statements of foreign assets, liabilities and income, fairly reflect, in conformity with generally accepted accounting principles which, with the exception of the change referred to in the preceding paragraph, have been applied on a basis consistent with that of the preceding year, (1) the consolidated condition as of November 1, 1941, of Armour and Company (an Illinois corporation) and subsidiaries (including Armour and Company of Delaware and subsidiaries) and the results of their operations for the fifty-two weeks ended on that date, and (2) the consolidated condition as of November 1, 1941, of Armour and Company of Delaware and subsidiaries, and the results of their operations for the fifty-two weeks ended on that date.

Chicago, December 26, 1941. PRICE, WATERHOUSE & CO.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

22 EAST 40TH STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

THE BORDEN COMPANY:

We have made an examination of the consolidated balance sheet of THE BORDEN COMPANY and subsidiary companies as of December 31, 1941, and of the related statements of consolidated net income, earned surplus, and capital surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated net income, earned surplus, and capital surplus, with the footnotes thereon, fairly present the financial condition of the companies at December 31, 1941, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices, which, except as indicated in footnote (a), were applied by the companies on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York, February 24, 1942.

The Borden Company
and Subsidiary Companies
CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1941 AND 1940

ASSETS

	December 31, 1941	December 31, 1940
CURRENT ASSETS:		
Cash	$ 20,321,433.05	$ 20,147,813.99
Marketable Securities: (Including deposits with Governmental bodies under Workmen's Compensation and Milk Control Laws, etc., 1941, $1,920,166.48; 1940, $1,913,130.96)		
1941—at Market Value (Cost $4,505,877.76 less Reserve $16,802.60)	4,489,075.16	
1940—at Cost (Market Value $4,573,782.07)		4,412,912.26
Receivables (Including salary advances to employees—1941, $90,847.53; 1940, $79,753.72) less Reserve for Doubtful Accounts—1941, $2,083,189.13; 1940, $1,894,946.31	18,089,718.40	12,794,346.53
Inventories—At the Lower of Cost or Market: Finished Goods / Materials & Supplies		
1941—$15,601,763.40 / $13,093,786.13	28,695,549.53	
1940— 10,105,903.27 / 7,789,518.84		17,895,422.11
Total Current Assets	$ 71,595,776.14	$ 55,250,494.89
MISCELLANEOUS ASSETS, less Reserves (Including Mortgages, Other Receivables, etc.)	$ 3,209,262.17	$ 2,908,644.44
PROPERTY, PLANT AND EQUIPMENT (Principally at cost, but in part at lower valuations established by the Company)	$122,283,570.61	$118,385,345.50
Less Reserves for Depreciation (Based on above property valuations)	52,905,559.72	51,165,017.82
Net Property, Plant and Equipment	$ 69,378,010.89	$ 67,220,327.68
PREPAID ITEMS, ETC.	$ 902,581.46	$ 939,746.89
TRADE-MARKS, PATENTS AND GOOD-WILL	$ 1.00	$ 1.00
TOTAL	$145,085,631.66	$126,319,214.90

NOTE (1) *The above balance sheet does not contain any salvage values which ultimately may be realized from properties, now owned and not essential to operations, which heretofore have been written off.*

NOTE (2) *Net current assets in foreign countries on December 31, 1941 and 1940 (principally in Canada) have been converted at exchange rates prevailing on those dates and are included above at their U. S. dollar equivalent of $4,412,260 at the end of 1941 and $4,829,120 at the end of 1940. Other assets in foreign countries (also principally in Canada) aggregating $5,605,841 at the end of 1941 and $5,753,715 at the end of 1940, have been included at parities of the foreign currencies which generally reflect their U. S. dollar equivalent at the time of acquisition or construction.*

LIABILITIES

	December 31, 1941	December 31, 1940
CURRENT LIABILITIES:		
Accounts Payable (Including current maturities of serial notes—1941, $501,000)	$ 12,528,976.22	$ 9,399,238.20
Accrued Accounts:		
Taxes (Including Income Taxes—Estimated)	5,015,567.28	2,989,065.61
Other	3,357,881.01	2,820,043.88
Total Current Liabilities	$ 20,902,424.51	$ 15,208,347.69
NON-CURRENT LIABILITIES:		
Notes Payable—2% Serial notes maturing $501,000 annually until 1950; remainder in 1951	$ 11,499,000.00	
Other	334,716.08	$ 329,744.09
Total Non-Current Liabilities	$ 11,833,716.08	$ 329,744.09
RESERVES:		
Contingency Reserve	$ 2,545,184.78	$ 2,545,184.78
Special Contingency Reserve	1,500,000.00	
For purchase of Employees' Deferred Retirement Annuities—based on service prior to July 1, 1939	856,677.39	3,187,319.70
Insurance and Other Operating Reserves	6,562,873.49	6,174,697.61
Total Reserves	$ 11,464,735.66	$ 11,907,202.09
CAPITAL STOCK—THE BORDEN COMPANY:		
Common $15.00 par (Authorized 8,000,000 shares)		
Issued . . . . . . 4,417,958 shares		
Less Treasury Stock . . 21,254 "		
Outstanding . . 4,396,704 "	$ 65,950,560.00	$ 65,950,560.00
SURPLUS:		
Capital Surplus	$ 13,563,370.62	$ 13,674,792.78
Earned Surplus	21,370,824.79	19,248,568.25
Total Surplus	$ 34,934,195.41	$ 32,923,361.03
TOTAL	$145,085,631.66	$126,319,214.90

The Borden Company
and Subsidiary Companies

STATEMENT OF CONSOLIDATED NET INCOME
For the Years Ended December 31, 1941 and 1940

	Year Ended December 31 1941	1940
NET SALES	$259,128,514.71	$216,795,850.86
COST OF SALES AND EXPENSES:		
(Including provision for depreciation of $6,194,108.58 in 1941 and $6,016,187.09 in 1940; provision of $1,500,000.00 in 1941 for wartime contingencies and transition to peacetime economy; insurance, taxes, and all manufacturing, selling, delivery, administrative and general expenses, after deducting miscellaneous operating income)	247,779,619.77	208,217,319.93
REMAINDER	$ 11,348,894.94	$ 8,578,530.93
OTHER INCOME (Less Charges for Interest)	464,603.76	486,420.11
TOTAL	$ 11,813,498.70	$ 9,064,951.04
DEDUCT:		
Federal and Other Income Taxes (Estimated)	$ 3,491,694.92	$ 1,434,614.34
Maintenance expenditures on properties not essential to operations (Less rental income of $165,227.82 in 1941 and $178,055.50 in 1940)	51,231.64	47,719.64
TOTAL	$ 3,542,926.56	$ 1,482,333.98
NET INCOME FOR THE YEAR	$ 8,270,572.14	$ 7,582,617.06
Net Income per share of capital stock outstanding at end of year	*$1.88*	*$1.72*

NOTE (a) *In 1941 and 1940, the Company extended to additional products the method of costing out inventories on the last-in, first-out basis, a procedure first applied in 1939 to certain products. If extension of the method in 1941 and 1940 had not been made, Net Income would have been about $410,000 greater for 1941 and about $390,000 greater for 1940.*

NOTE (b) *Net income from foreign operations (principally in Canada) has been converted at exchange rates which prevailed monthly during the years 1941 and 1940, or at which remittances were received, and is included above at the U. S. dollar equivalent.*

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STATEMENT OF CONSOLIDATED EARNED SURPLUS
For the Years Ended December 31, 1941 and 1940

	Year Ended December 31 1941	1940
BALANCE AT BEGINNING OF YEAR	$ 19,248,568.25	$ 17,821,336.79
NET INCOME FOR THE YEAR	8,270,572.14	7,582,617.06
TOTAL	$ 27,519,140.39	$ 25,403,953.85
DEDUCT—Dividends Paid during the Year ($1.40 per share in 1941 and $1.40 in 1940.)	6,148,315.60	6,155,385.60
BALANCE AT END OF YEAR	$ 21,370,824.79	$ 19,248,568.25

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS
For the Years Ended December 31, 1941 and 1940

	Year Ended December 31 1941	1940
BALANCE AT BEGINNING OF YEAR	$ 13,674,792.78	$ 13,883,136.47
Proceeds from disposal of unessential properties previously written off against Capital Surplus, and fair operating values ascribed to other such properties adapted to some operating use	268,887.64	107,128.17
TOTAL	$ 13,943,680.42	$ 13,990,264.64
Deduct—Write-off of Good-Will purchased during the year	380,309.80	315,471.86
BALANCE AT END OF YEAR	$ 13,563,370.62	$ 13,674,792.78

[17]

CORN PRODUCTS REFINING COMPANY

And Its Domestic Subsidiary Sales Companies

Consolidated Balance Sheet—December 31, 1941

(Other subsidiary and affiliated companies not consolidated are carried as investments)

ASSETS

Current Assets:		
Cash on hand, demand and time deposits		$ 23,058,301.69
Marketable securities at quoted market value	$ 3,565,069.55	
Less reserve for depreciation (Note 1)	213,696.80	3,351,372.75
U. S. Government tax anticipation notes		7,502,400.00
Notes and accounts receivable, domestic		6,067,102.80
Due from domestic subsidiary and affiliated companies		751,371.60
Inventories (Note 3):		
Corn, finished products and goods in process	$ 10,123,612.17	
Less reserve for reduction of normal inventories to fixed prices	845,294.36	9,278,317.81
Materials and supplies		5,624,058.71
Total current assets		$ 55,632,925.36
Foreign Receivables:		
Customers, current	$ 179,456.53	
Subsidiary and affiliated companies, current	601,904.13	781,360.66
Investments:		
Stocks and notes of subsidiary and affiliated companies, not consolidated, at cost or less (Note 2):		
Domestic	$ 4,523,581.13	
Foreign	14,472,255.92	
	$ 18,995,837.05	
Other investments, at cost or less	2,062,963.98	21,058,801.03
Fixed Assets:		
Property, plant and equipment, including $582,656.31 construction work in progress and partially abandoned plant at estimated salvage value	$ 64,675,703.84	
Less reserve for depreciation	31,043,259.18	33,632,444.66
Other Assets and Deferred Charges:		
Prepaid insurance and other expenses and unadjusted accounts	$ 310,260.03	
Premium advances for employees and prepaid expenses under Insurance Pension Plan	719,156.43	1,029,416.46
Total		$ 112,134,948.17

LIABILITIES

Current Liabilities:			
Accounts payable, including accrued items			$ 2,257,857.34
Provision for federal income and other corporate taxes:			
Current		$ 5,764,884.13	
Prior years		585,866.71	6,350,750.84
Dividends on preferred and common stocks payable in January, 1942			2,327,541.50
Due to subsidiary and affiliated companies:			
Domestic		$ 121,203.52	
Foreign, including $154,291.41 restricted under U. S. Government regulations		780,308.62	901,512.14
Total current liabilities			$ 11,837,661.82
Deferred Credits			70,127.08
Reserve for Contingencies			2,600,000.00
Capital Stock and Surplus:			
Capital stock:			
Preferred:			
7% cumulative, par value $100.00:			
Authorized and outstanding, 250,000 shares		$ 25,000,000.00	
Common, par value $25.00:			
Authorized, 3,000,000 shares	$ 75,000,000.00		
Unissued, 470,000 shares	11,750,000.00		
Outstanding, 2,530,000 shares		63,250,000.00	
Total capital stock		$ 88,250,000.00	
Earned surplus, per accompanying statement		9,847,015.52	
Total capital stock and earned surplus		$ 98,097,015.52	
Treasury Stock (Note 4):			
4,262 shares preferred, at cost		469,856.25	97,627,159.27
Total			$ 112,134,948.17

See explanatory notes on page 8 which are an integral part of this statement.

CORN PRODUCTS REFINING COMPANY
AND ITS DOMESTIC SUBSIDIARY SALES COMPANIES

Consolidated Income Account and Earned Surplus
For the Year Ended December 31, 1941

GROSS SALES:			
To customers:			
Domestic, including $4,471,285.00 for export			$ 91,185,020.37
Foreign			1,956,857.01
			$ 93,141,877.38
To subsidiary and affiliated companies:			
Domestic		$ 602,869.96	
Foreign		3,689,050.71	4,291,920.67
Total			$ 97,433,798.05
Less transportation and other sales deductions			11,909,126.89
NET SALES			$ 85,524,671.16
COST OF SALES, including increase of $104,183.52 in reserve for reduction of normal inventories to fixed prices		$ 52,669,245.93	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		9,725,413.88	
TAXES, other than taxes on income		1,338,116.65	
DEPRECIATION		2,005,268.66	65,738,045.12
PROFIT FROM OPERATIONS			$ 19,786,626.04
OTHER INCOME:			
Interest and dividends on domestic securities		$ 244,457.49	
Income from subsidiary and affiliated companies:			
Dividends received from domestic companies, including $403,977.57 from 1941 earnings	$1,459,936.10		
Dividends received from foreign companies, including $201,386.61 from 1941 earnings	1,158,204.17		
Royalties and other items, including $138,252.22 from foreign sources	161,242.40	2,779,382.67	
Refund of processing tax		175,000.00	
Settlement of litigation		450,000.00	
Miscellaneous		172,820.93	3,821,661.09
GROSS INCOME			$ 23,608,287.13
DEDUCTIONS FROM INCOME:			
Loss on sale of domestic subsidiary		$ 1,851,106.02	
Provision for contingencies		2,400,000.00	4,251,106.02
INCOME, before provision for taxes on income			$ 19,357,181.11
PROVISION FOR FEDERAL AND STATE TAXES ON INCOME (including $4,218,000.00 estimated excess profits tax), computed on the basis of the income shown above, but before adjustment of tax reduction of $3,600,000.00 applicable to non-recurring losses shown in surplus			9,091,153.77
NET INCOME FOR THE YEAR [Note 1] (*Forward*)			$ 10,266,027.34

NET INCOME FOR THE YEAR (*Forwarded from page 6*)		$ 10,266,027.34
EARNED SURPLUS, JANUARY 1, 1941		14,858,845.94
		$ 25,124,873.28
DEDUCTION FROM SURPLUS OTHER THAN DIVIDENDS:		
Loss on investment in securities and receivables of foreign subsidiary and affiliated companies domiciled in Germany, Japan, Italy and enemy occupied areas, and receivables due from other foreign sources in said countries or areas	$ 9,567,691.76	
Less Adjustment to reduce 1941 tax provision of $9,091,153.77 shown above, such reduction in the tax being applicable to the foregoing items	3,600,000.00	
Net deduction		5,967,691.76
		$ 19,157,181.52
DIVIDENDS:		
On preferred stock $7.00 per share	$ 1,750,000.00	
Deduct dividends on treasury stock	29,834.00	
Net dividends on preferred stock	$ 1,720,166.00	
On common stock $3.00 per share	7,590,000.00	9,310,166.00
EARNED SURPLUS, DECEMBER 31, 1941		$ 9,847,015.52

See explanatory notes on page 8 which are an integral part of this statement.

To the Board of Directors of
CORN PRODUCTS REFINING COMPANY:

We have examined the consolidated balance sheet of Corn Products Refining Company and its domestic subsidiary sales companies as of December 31, 1941, and the consolidated income account and earned surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Losses arising from the sequestration of property because of war conditions, and representing deductions to be claimed for income tax purposes, together with estimated reduction in tax of $3,600,000.00 expected to be realized upon the allowance of such deductions, have been carried directly to earned surplus. Accordingly, the amount shown as net income for the year in the accompanying income account is subject to adjustment to the extent that such reduction in tax will be realized.

In our opinion and with the explanation contained in the preceding paragraph, the accompanying consolidated balance sheet and related income account and earned surplus, together with the notes appended thereto, present fairly the consolidated position of Corn Products Refining Company and its domestic subsidiary sales companies at December 31, 1941, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

F. W. LAFRENTZ & CO.
Certified Public Accountants.

New York, N. Y., February 27, 1942.

EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1941

NOTE 1. RESERVE FOR DEPRECIATION OF MARKETABLE SECURITIES:

The transactions in this reserve account during the year are summarized as follows:

Balance, January 1, 1941	$478,566.36
Addition:	
Excess of proceeds of 1941 sales of marketable securities over the December 31, 1940 quoted market value, less the net loss on securities purchased and sold in 1941	102,969.62
Deduction:	$581,535.98
Reduction in ledger value of marketable securities to quoted market value, December 31, 1941	367,839.18
Balance, December 31, 1941	$213,696.80

In accordance with the practice of the company, the profits or losses on sales of marketable securities have been applied to this reserve on the basis indicated above instead of to consolidated income. Had the results of these transactions been reflected in the consolidated income on the basis of the cost of securities sold, the net income for the year, after provision for federal taxes, would have decreased $3,153,516.16. This loss was provided for in a prior year by transfer from earned surplus to this reserve account.

NOTE 2. SUBSIDIARY AND AFFILIATED COMPANIES:

The Company estimates that its equity in earnings of domestic subsidiary and affiliated companies for the year 1941 amounts to approximately $765,000.00. During 1941 dividends received from these companies amounted to $1,459,936.10 of which $403,977.57 was from current earnings and $1,055,958.53 from earnings of prior years. The amount received from prior years' earnings includes $1,000,000.00 received from a subsidiary subsequently sold in 1941.

All of the statements from foreign subsidiary and affiliated companies, operating in other than enemy countries or enemy occupied areas, and representing an aggregate investment of $14,458,846.97, have not been received. On the basis of information at hand the company estimates that its equity in earnings of such companies for the year 1941 amounts to approximately $1,325,000.00. During 1941 dividends received from these companies amounted to $812,677.58 of which $201,386.61 was from current earnings and $611,290.97 from earnings of prior years.

During 1941 dividends of $345,526.59, out of earnings of prior years, were received from companies domiciled in enemy countries or enemy occupied areas.

No adjustment has been made in the value of investments in the subsidiary and affiliated companies by reason of undistributed profits or for losses since acquisition.

NOTE 3. VALUATION OF INVENTORIES AND METHOD OF COMPUTING COST OF GOODS SOLD:

The base stock or normal stock method is used by the companies in determining the inventory value of corn, finished and in process goods other than refined sugars. This is effected by establishing normal stock requirements at fixed prices based upon the lowest monthly cost of corn which has prevailed since the inception of the method. Inventories in excess of the established normal stock have been priced at current cost. Refined sugars are valued at cost or less than market whichever is lower. Materials and supplies are priced by specific classes at the lower of cost or market. Cost of goods sold is determined on the basis of inventories at beginning and end of year computed on the above basis. Intercompany profits in inventories of the consolidated companies have been eliminated in the accompanying statements.

NOTE 4. TREASURY STOCK:

In addition to the treasury stock shown on the balance sheet, a wholly owned subsidiary owns 4,513 shares of common stock of the Corn Products Refining Company, and 14,556 shares of common stock and 1,164 shares of preferred stock of a domestic affiliated company. The capital stock of this subsidiary, amounting to $1,000,000.00 is included in stocks and notes of domestic subsidiary and affiliated companies. There are also held to redeem outstanding stock of merged companies, 21⅓ shares of preferred stock and 20 shares of common stock.

NOTE 5. FOREIGN EXCHANGE:

Amounts receivable or payable stated in foreign currencies on the books of Corn Products Refining Company have been adjusted to rates in effect at the balance sheet date.

NOTE 6. CONTINGENT LIABILITIES AND COMMITMENTS:

The companies represent that they are liable as guarantor on commitments of foreign subsidiaries, the amount of which shall not exceed $224,980.00 at current rates of exchange.

Commitments to purchase raw materials for delivery in 1942 had a market value December 31, 1941 slightly in excess of the contract price.

ARTHUR ANDERSEN & CO.

120 South La Salle Street
CHICAGO

To the Board of Directors,
The Cudahy Packing Company:

We have examined the consolidated balance sheet of The Cudahy Packing Company and Subsidiary Companies as of October 31, 1941, and the related statements of income and surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and it included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of The Cudahy Packing Company and subsidiary companies at October 31, 1941, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois,
December 18, 1941.

Arthur Andersen & Co.

THE CUDAHY PACKING COMPANY (A MAINE

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:			
Cash		$ 3,108,359.67	
Receivables—			
Customers	$12,911,214.43		
Other	478,305.19		
Total	$13,389,519.62		
Less—Reserve for doubtful accounts	268,304.49	13,121,215.13	
Inventories—			
Products where costs were not ascertainable were valued at approximate market prices allowing for estimated selling expenses; other products and ingredients and supplies at the lower of cost or market—			
Products	$20,333,224.50		
Ingredients and supplies	2,340,202.16	22,673,426.66	
Total current assets			$38,903,001.46
INVESTMENTS AND ADVANCES:			
Investments in and advances to other companies, at cost or less		$ 521,770.38	
Treasury stock—100 shares 7% cumulative preferred, at cost		5,092.05	526,862.43
DEPOSITS UNDER STATE COMPENSATION ACTS			29,664.38
FIXED ASSETS:			
Land at plants and branches at appraised value at October 30, 1915 (date of reorganization), plus subsequent additions at cost		$ 2,656,814.82	
Buildings, machinery, and equipment, at cost—principally as determined by a cost appraisal as at October 30, 1939 by independent engineers—			
Packing and other manufacturing plants	$31,461,285.76		
Sales branches	5,755,593.36		
Refrigerator cars, etc.	3,077,564.40		
	$40,294,443.52		
Less—Reserves for depreciation, including accrued depreciation determined as at October 30, 1939 by independent engineers	19,104,846.06	21,189,597.46	
Farms and mineral lands, at cost or less	$ 852,129.79		
Less—Reserve for depreciation, etc.	131,397.96	720,731.83	24,567,144.11
PREPAID AND DEFERRED CHARGES:			
Prepaid insurance		$ 330,401.62	
Miscellaneous deferred charges		178,927.12	
Unamortized debt discount and expense		438,000.00	947,328.74
			$64,974,001.12

NOTES: (1) Dividends in arrears at October 31, 1941 aggregate $1,446,337.50 representing $15.00 per share, or $300,000.00 on 6% cumulative preferred stock, and $17.50 per share, or $1,146,337.50 on 7% cumulative preferred stock.

CORPORATION) AND SUBSIDIARY COMPANIES

SHEET—OCTOBER 31, 1941

LIABILITIES

CURRENT LIABILITIES:				
Notes payable—				
Banks		$ 5,935,000.00		
Other		272,500.00	$ 6,207,500.00	
Accounts payable—				
Trade		$ 1,370,869.68		
Due to officers and employees		1,424,167.24	2,795,036.92	
Accrued accounts—				
Wages		$ 259,122.09		
Interest		146,794.34		
General and social security taxes		587,617.58		
Miscellaneous		178,545.16	1,172,079.17	
Reserves for Federal and other income taxes (subject to final determination)			1,398,811.23	
Sinking fund payments required within one year—				
First mortgage sinking fund bonds		$ 350,000.00		
Convertible sinking fund debentures, less $49,500 in treasury		75,500.00	425,500.00	
Total current liabilities				$11,998,927.32
LONG-TERM DEBT:				
First mortgage sinking fund bonds, Series A 3¾%, due September 1, 1955—				
Authorized $30,000,000—issued		$20,000,000.00		
Less—				
Bonds retired	$1,942,500.00			
Sinking fund payments required within one year	350,000.00	$ 2,292,500.00	$17,707,500.00	
Convertible sinking fund 4% debentures, due September 1, 1950—				
Authorized and issued		$ 5,000,000.00		
Less—				
Bonds retired	$ 687,500.00			
Sinking fund payments required within one year	125,000.00	812,500.00	4,187,500.00	21,895,000.00
MINORITY INTEREST IN SUBSIDIARY COMPANY:				
Capital stock			$ 22,689.00	
Surplus			51,683.89	74,372.89
CAPITAL STOCK AND SURPLUS:				
Capital stock—				
Preferred stock 6% cumulative $100 par value—				
Authorized and outstanding, 20,000 shares		$ 2,000,000.00		
Preferred stock 7% cumulative $100 par value—				
Authorized and issued, 65,505 shares (of which 100 shares are held in treasury)		6,550,500.00		
Common stock, $30 par value—				
Authorized, 728,990 shares, of which 60,375 shares may be required for conversion of debentures; issued and outstanding, 467,489 shares		14,024,670.00	$22,575,170.00	
Capital surplus			3,817,661.77	
Earned surplus since October 30, 1939			4,612,869.14	31,005,700.91
				$64,974,001.12

(2) The indentures dated September 1, 1935 covering the company's bonds and debentures provide that no dividends may be paid on common stock when the company's earned surplus shall be less than $5,000,000 or if to do so would reduce its earned surplus to less than $5,000,000.

(3) Contingent liabilities—under guaranties and letters of credit $255,000.

THE CUDAHY PACKING COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED INCOME STATEMENT

FOR FISCAL YEAR ENDED OCTOBER 31, 1941

Net sales and operating revenues			$260,704,577.82
Cost of sales and operating expenses exclusive of charges deducted below			240,095,694.25
			$ 20,608,883.57
Deduct—			
Selling, advertising, general and administrative expenses		$11,036,124.33	
Provision for depreciation of fixed assets, including provision of $97,256.90 for losses on property sold, etc.		1,883,223.90	
Taxes, other than income taxes		1,606,512.86	14,525,861.09
Operating profit			$ 6,083,022.48
Miscellaneous income			94,182.49
			$ 6,177,204.97
Interest and other income charges—			
Interest on long-term debt		$ 843,047.44	
Other interest		142,870.56	
Amortization of debt discount and expense		40,782.00	
Adjustments applicable to prior years—			
Provision for additional compensation under the Wage and Hour Act	$585,000.00		
Less—Excess Federal tax reserves	262,940.09	322,059.91	1,348,759.91
			$ 4,828,445.06
Provision for income taxes—			
Federal normal taxes		$ 1,049,514.18	
Federal excess profits taxes of subsidiary		13,872.84	
State income taxes		102,422.72	1,165,809.74
			$ 3,662,635.32
Minority interest share in earnings of subsidiary			10,318.98
Net income for year			$ 3,652,316.34

SUMMARY OF CONSOLIDATED SURPLUS

FOR FISCAL YEAR ENDED OCTOBER 31, 1941

	Capital Surplus	Earned Surplus
Balances as at November 2, 1940 of—		
Capital surplus	$ 3,494,002.13	$ —
Earned surplus since October 30, 1939	—	2,116,222.80
Add—		
Employees' pension trust reserve, after deducting payment of $150,000 during the year, returned to surplus	850,000.00	—
Surplus applicable to additional stock of a subsidiary company acquired during the year	6,715.15	—
Net income for the year ended October 31, 1941	—	3,652,316.34
Total	$ 4,350,717.28	$ 5,768,539.14
Deduct—		
Reduction in ledger value of farm lands, etc., to reflect an appraisal as of October 30, 1939 as made by the Board of Directors on May 16, 1941	$ 533,055.51	$ —
Dividends paid in cash on—		
7% preferred stock ($14.00 per share)	—	915,670.00
6% preferred stock ($12.00 per share)	—	240,000.00
Total	$ 533,055.51	$ 1,155,670.00
Balances as at October 31, 1941 of—		
Capital surplus	$ 3,817,661.77	$ —
Earned surplus since October 30, 1939	—	4,612,869.14

Note: As at October 30, 1939, the companies reduced the ledger value of fixed assets, increased the reserves for depreciation and wrote off certain intangible assets. These adjustments aggregated $10,800,000.46 and were charged to earned surplus to the extent of the balance in that account as at October 30, 1939, $3,193,672.52, and the remainder, $7,606,327.94, was charged to capital surplus.

GENERAL FOODS CORPORATION

AND WHOLLY OWNED SUBSIDIARY COMPANIES IN THE UNITED STATES AND CANADA

COMPARATIVE CONSOLIDATED STATEMENT OF EARNED SURPLUS FOR THE YEARS ENDED DECEMBER 31, 1941, AND DECEMBER 31, 1940

	Years ended Dec. 31, 1941		Dec. 31, 1940	
Balance at beginning of year		$25,562,250		$21,496,053
Net profit, from consolidated statement of profit and loss		14,153,400		15,244,077
		$39,715,650		$36,740,130
Dividends on stock in hands of public:				
Common—$2.00 per share	$10,502,880		$10,502,880	
Preferred—$4.50 per share	675,000		675,000	
		11,177,880		11,177,880
Earned surplus at end of year		$28,537,770		$25,562,250

ACCOUNTANTS' OPINION

To the Board of Directors of
General Foods Corporation

February 18, 1942.

We have made an examination of the consolidated balance sheet of General Foods Corporation and wholly owned subsidiary companies in the United States and Canada as at December 31, 1941, and of the related statements of profit and loss and earned surplus for the year 1941. In connection therewith, by methods and to the extent we deemed appropriate, we reviewed the system of accounting control and procedures and, without making a detailed audit of the transactions, examined or tested accounting records and other supporting evidence. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We have not examined the accounts of a partially owned and four wholly owned subsidiary companies located in Great Britain and in the Philippine Islands; the aggregate investment in such companies represents less than 1% of the consolidated assets. The accounts of these four wholly owned subsidiary companies, which heretofore have been consolidated with the accounts of the parent corporation and other subsidiary companies for the purpose of annual reports, have been excluded from the consolidation in 1941. The investments in and advances to such excluded companies are stated in the balance sheet at the amount of the net tangible assets as of the most recent dates for which reports have been received.

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and earned surplus present fairly the position of the companies consolidated at December 31, 1941, and the results of their operations for the year 1941, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in consolidation approved by us and referred to in the preceding paragraph.

56 Pine Street, New York, N. Y. PRICE, WATERHOUSE & Co.

The Consolidated Balance Sheet for General Foods Corporation at Dec. 31, 1941, and related financial statements have been prepared under my supervision and, in my opinion, are correct.

Feb. 18, 1942 MARVIN W. KIMBRO, *Controller*

GENERAL FOODS CORPORATION

AND WHOLLY OWNED SUBSIDIARY COMPANIES IN THE UNITED STATES AND CANADA

COMPARATIVE CONSOLIDATED BALANCE SHEET

ASSETS

	Dec. 31, 1941		Dec. 31, 1940 (Note 1)	
CURRENT ASSETS:				
Cash		$ 7,500,154		$14,191,972
Accounts and notes receivable:				
Customers' accounts	$12,415,388		$11,356,690	
Miscellaneous, including deposits and working funds	1,711,694		1,096,828	
Notes, drafts, and acceptances receivable	198,197		189,152	
	$14,325,279		$12,642,670	
Less—Reserve for discounts and for doubtful accounts and notes	316,397	14,008,882	358,512	12,284,158
Inventories, at cost or market, whichever is lower:				
Raw materials	$37,245,715		$18,571,596	
Finished and semifinished stock	18,244,089		13,406,435	
Supplies	1,740,821	57,230,625	886,133	32,864,164
Total current assets		$ 78,739,661		$59,340,294
OTHER ASSETS:				
Investments in and advances to subsidiary companies (not consolidated) at proportionate amount of book value of net tangible assets:				
Domestic companies, less reserve of $168,106 ($158,317 in 1940)	$ 658,114		$ 676,544	
Great Britain and Philippine Islands companies	894,980		753,995	
Loans to employes	87,446		99,466	
Investment in The Best Foods, Inc. (29% of capital stock)	3,149,776		3,149,776	
Other stocks and bonds, at cost, less reserve of $450,000 ($402,000 in 1940)	528,933		270,297	
Balances in suspended banks, less reserve of $144,000	31,318		36,593	
Long-term notes and accounts receivable, less reserve of $136,000	567,585	5,918,152	956,173	5,942,844
PROPERTY ACCOUNTS:				
Land, factory sites, etc.	$ 3,700,011		$ 3,826,409	
Buildings, docks, etc.	16,673,519		16,421,422	
Machinery, equipment, motor trucks, vessels, etc.	38,158,374		34,462,705	
	$58,531,904		$54,710,536	
Less—Reserves for depreciation	25,863,944	32,667,960	24,227,764	30,482,772
(Properties are stated at cost, excepting certain properties appraised at sound values in 1916 and 1926; the balance at Dec. 31, 1941, of the appraised values in excess of cost, not yet covered by depreciation was $840,583—$882,564 in 1940.)				
TRADE-MARKS, PATENTS, AND GOOD WILL		1		1
DEFERRED CHARGES TO OPERATIONS:				
Prepaid advertising expense and supplies	$ 554,028		$ 477,345	
Prepaid insurance premiums and other expenses	654,826		709,450	
Purchase contract rights—balance unamortized	230,735	1,439,589	255,238	1,442,033
		$118,765,363		$97,207,944

GENERAL FOODS CORPORATION

AND WHOLLY OWNED SUBSIDIARY COMPANIES IN THE UNITED STATES AND CANADA

DECEMBER 31, 1941, AND DECEMBER 31, 1940

LIABILITIES

	Dec. 31, 1941		Dec. 31, 1940 (Note 1)	
CURRENT LIABILITIES:				
Notes payable to banks	$ 4,500,000		—	
Acceptances and drafts payable	127,995		$ 82,987	
Preferred dividend payable	168,750		168,750	
Foreign drafts discounted	36,561		65,311	
Accounts payable	9,066,630		4,637,458	
Accrued expenses	464,484		399,238	
Salaries, wages, etc., payable and accrued	1,271,624		1,247,931	
Accrued taxes	1,261,193		975,635	
Federal and foreign income taxes	13,087,800		5,325,828	
Total current liabilities		$ 29,985,037		$12,903,138
RESERVE FOR CONTINGENCIES		1,971,212		471,212
CAPITAL STOCK AND SURPLUS:				
Preferred stock:				
Authorized—350,000 shares without par value				
Issued—150,000 shares $4.50 cumulative preferred (involuntary liquidation preference $100 a share)	$15,000,000		$15,000,000	
Common stock:				
Authorized—6,000,000 shares without par value				
Issued—5,359,751 shares	48,402,798		48,402,798	
(Including 85,778 shares held by a subsidiary company for conversion of its Class A stock in hands of public.)				
	$63,402,798		$63,402,798	
Earned surplus, statement attached	$28,537,770		$25,562,250	
Less—Amount allocated in respect of common stock reacquired and held in treasury (108,311 shares at cost)	5,131,454		5,131,454	
	$23,406,316		$20,430,796	
Total capital stock and surplus		86,809,114		83,833,594
		$118,765,363		$97,207,944

(See notes to financial statements on following page.)

GENERAL FOODS CORPORATION

AND WHOLLY OWNED SUBSIDIARY COMPANIES IN THE UNITED STATES AND CANADA

COMPARATIVE CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEARS ENDED DECEMBER 31, 1941, AND DECEMBER 31, 1940

	Years ended Dec. 31, 1941		Dec. 31, 1940 (Note 1)	
Net sales		$180,358,903		$152,188,335
Cost of goods sold, including provision for depreciation and freight charges	$117,086,934		$99,547,590	
Selling, administrative, and general expenses, and other charges	36,258,114		32,983,927	
Provision for Profit Incentive Plan	——	153,345,048	409,300	132,940,817
Profit from operations		$ 27,013,855		$ 19,247,518
Other income:				
Dividends received from The Best Foods, Inc.	$ 456,750		$ 442,250	
Other dividends and interest	147,576		48,903	
Royalties and miscellaneous income	335,495		325,004	
Proportionate share of profits (or losses) of subsidiary companies not consolidated	(10.607)		134,704	
	$ 929,214		$ 950,861	
Less—Interest expense	36,969	892,245	14,321	936,540
Profit before provision for taxes and contingencies		$ 27,906,100		$ 20,184,058
Provision for Federal income tax (including surtax)	$ 6,477,000		$ 4,725,655	
Provision for Federal excess profits tax	5,260,000		——	
Provision for foreign income and profits taxes	515,700	12,252,700	214,326	4,939,981
Profit before provision for contingencies		$ 15,653,400		$ 15,244,077
Provision for contingencies		1,500,000		——
Net profit, carried to surplus		$ 14,153,400		$ 15,244,077
Net profit, after preferred dividends, per share of common stock outstanding at end of year		$2.56		$2.77

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NOTES TO FINANCIAL STATEMENTS

1. The accounts of 4 wholly owned subsidiary companies located in Great Britain and in the Philippine Islands, which heretofore have been consolidated with the accounts of the parent corporation and the other subsidiary companies, have been excluded from the consolidation in 1941. For purpose of comparison, previously reported figures for the year 1940 have been reclassified to reflect such change.

2. Net current assets and deferred expenses of foreign subsidiary companies and the results of their operations have been reflected in the accompanying financial statements at official rates of exchange at the close of the year; property accounts have been reflected on the basis of approximate cost of exchange.

3. Depreciation provided for 1941 aggregated $2,654.071 ($2,698,943 in 1940), of which $1,795,789 ($1,822,873 in 1940) has been included in cost of goods sold and $858,282 ($876,070 in 1940) in other accounts.

CONSOLIDATED BALANCE SHEET

ASSETS

	December 31, 1941	December 31, 1940
Cash	$19,622,218.66	$32,311,529.87
U. S. Bonds and Tax Notes (Quoted Market 12/31/41—$11,314,476.56)	11,257,500.00	1,257,500.00
Other Bonds (Quoted Market 12/31/41—$124,193.75) Note: $504,000.00 Principal Amount U. S. and Other Bonds deposited for special reasons.	121,041.25	49,606.25
Accounts Receivable	3,520,675.20	2,920,018.93
Raw Materials, Supplies and Finished Product (At Cost or Market, whichever is lower, less Special Inventory Reserve of $1,019,381.51 charged to prior earnings.)	14,306,298.91	9,214,108.44
Total Current Assets	$48,827,734.02	$45,752,763.49
Notes and Mortgages Receivable	184,931.43	206,552.25
Plants, Real Estate, Machinery, Intangibles, etc. (At Cost in Cash or Capital Stock, Less Allowances for Depreciation.)	81,129,389.27	81,862,215.95
Prepaid Expenses and Deferred Charges	807,960.56	897,072.83
Total	$130,950,015.28	$128,718,604.52

Note: The Company's investments in and earnings of subsidiaries in Canada and England, included in the Consolidated Balance Sheet and Income Account, are indicated in the President's report.

LIABILITIES

	December 31, 1941	December 31, 1940
Accounts Payable (Purchase Invoices, Pay Rolls and other Accruals not due for payment.)	$2,622,408.89	$2,170,549.60
Common Dividend, Payable January 15, 1942	2,515,779.20	2,515,779.20
Reserve for Federal and Foreign Income and Excess Profits Taxes	9,593,426.09	6,428,463.92
Total Current Liabilities	$14,731,614.18	$11,114,792.72
Insurance and Contingent Reserve	7,822,298.35	7,740,414.56
Capital Stock, Preferred (Par Value $100.00—7% Cumulative) Shares authorized 250,000, issued 248,045	24,804,500.00	24,804,500.00
Capital Stock, Common (Par Value $10.00) Shares authorized 12,000,000, issued 6,289,448	62,894,480.00	62,894,480.00
Earned Surplus	11,041,109.21	12,508,403.70
Capital Surplus	9,656,013.54	9,656,013.54
Total	$130,950,015.28	$128,718,604.52

CONSOLIDATED INCOME AND EARNED SURPLUS
YEAR — 1941

Earnings for the year 1941:		
From Operations	$22,288,790.91	
Other Income	172,810.06	
Total		$22,461,600.97
Less:		
Depreciation	$3,250,161.35	
Provision for Federal and Foreign Income and Excess Profits Taxes (including $1,800,000 Federal Excess Profits Tax)	8,311,639.01	
Foreign Exchange Adjustments	167,663.30	11,729,463.66
Net Earnings for the year		10,732,137.31
Less:		
Write-down of Plants, Real Estate, Machinery, Intangibles, etc. Account, in addition to above depreciation allowance		400,000.00
Balance of Net Earnings credited to Surplus		10,332,137.31
Earned Surplus December 31, 1940		12,508,403.70
		22,840,541.01
Less:		
Preferred Dividends Paid	$1,736,315.00	
Common Dividends Paid	7,547,337.60	
Common Dividend, Payable January 15, 1942	2,515,779.20	11,799,431.80
Earned Surplus December 31, 1941		$11,041,109.21

REPORT OF AUDITORS

To the Stockholders of
National Bisc it Company,
New Yo k, N. Y.

We have examin d the consolidated bala ce sheet of National Biscuit Company and its subsidiary companies as of December 31, 1941, and the consoli ated statement of income and surplus for the fiscal year then ende , have reviewed the sy tems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transaction , have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance wi h generally accepted auditing standards a plicable in the circum tances and included all procedures which e considered necessary.

In our opinion, the accompanying balance sheet and related statement of income and surplus present fairly the consolidated position of National Biscuit Company an its subsidiary companies at December 31, 1941, and the consol dated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Lybrand Ross Bros & Montgomery

New York, N. Y.
January 31, 1942

Auditors' Certificate

To the Board of Directors and Stockholders of
National Dairy Products Corporation:

We have examined the consolidated balance sheet of National Dairy Products Corporation (a Delaware corporation) and domestic subsidiary companies as of December 31, 1941, and the statements of consolidated profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year 1940. The procedures followed, with respect to the more important items of the consolidated balance sheet, are commented on broadly in the following four paragraphs.

Cash in banks was checked to confirmations received directly from the depositaries and cash on hand was either counted, traced to subsequent deposits in bank accounts, or, as to working funds, confirmed to us by the custodians. Notes receivable, securities and other evidences of investments or loans, together with collateral therefor, held by the companies were inspected, and those held by depositaries or other custodians were confirmed by direct correspondence. Customers' ledgers and drivers' route books were test-checked and balanced with the general ledger control accounts. Our examination of the receivables included tests of balances by direct communication with the debtors to the extent we considered appropriate in the circumstances. The receivables were reviewed as to collectibility and, in our opinion, the reserves provided are adequate to cover losses anticipated at the date of our examination.

Inventory records and procedures were reviewed and the methods followed by the companies in taking physical inventories were approved by us. We observed the taking of physical inventories by company employees at the more important locations and made test counts of selected items; merchandise in public warehouses was checked by direct confirmations from the warehouses. Clerical accuracy was checked and we satisfied ourselves that the inventories were priced at cost (generally average cost) or market whichever lower by reference to invoices, cost records, trade journals, etc.

Additions to capital assets were reviewed and in connection therewith, we inspected authorizations, contracts, invoices, vouchers, and other data in support of the major items. Changes in the reserves for depreciation were analyzed; calculations of depreciation were reviewed and the amounts charged to profit and loss appeared to be reasonable.

Accounts payable were checked to voucher registers and other detail records, and the payables were confirmed on a test basis by direct correspondence with creditors. Computations of accrued liabilities were verified and supporting data, such as payrolls, tax returns, etc., were reviewed. Shares of capital stock and the amount of debentures outstanding were confirmed to us by direct correspondence with the registrar and trustees. In so far as we could ascertain within the scope of our examination, and as represented to us by the management, all known direct liabilities of the companies have been reflected in the consolidated balance sheet at December 31, 1941.

In our opinion, the accompanying consolidated balance sheet and the related statements of consolidated profit and loss and surplus present fairly the financial position of National Dairy Products Corporation and domestic subsidiary companies consolidated at December 31, 1941, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
March 9, 1942.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

22 EAST 40TH STREET
NEW YORK CITY, N. Y.

ACCOUNTANTS' CERTIFICATE

Standard Brands Incorporated:

We have examined the consolidated balance sheet of Standard Brands Incorporated and its domestic subsidiaries, and the consolidated balance sheets (by groups as to geographical locations) of the foreign subsidiaries of Standard Brands Incorporated, as of December 31, 1941 and the related summaries of consolidated income and surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

The accounts of wholly owned foreign subsidiaries were excluded from the parent company consolidations for 1941, and investments in such foreign subsidiaries are shown in the consolidated balance sheet of Standard Brands Incorporated and domestic subsidiaries at the investment value at which carried in the books. Beginning January 1, 1941 income from foreign subsidiaries has been included only to the extent received during the calendar year in United States dollars.

In our opinion, the accompanying consolidated balance sheets and summaries of consolidated income and surplus fairly present the financial condition of Standard Brands Incorporated and domestic subsidiaries, and of the foreign subsidiaries of Standard Brands Incorporated, respectively, at December 31, 1941, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices, which were applied on a basis consistent with that of the preceding year, except for the change in the basis of consolidation which we approve.

HASKINS & SELLS.

New York,
March 9, 1942.

PRICE, WATERHOUSE & CO.

GULF BUILDING

PITTSBURGH

February 18, 1942.

To the Stockholders of
Hazel-Atlas Glass Company:

We have examined the consolidated balance sheet of the Hazel-Atlas Glass Company and subsidiary companies as of December 27, 1941, and the consolidated statements of profit and loss and earned surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Royalty payable to and participation in net income receivable from Hartford-Empire Company under the agreement dated July 1, 1932, were included in the statement of profit and loss in prior years but, for the reasons stated in the note to the financial statements, were not included for the year 1941. Pending termination of the litigation, we consider this treatment as proper.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of profit and loss and earned surplus present fairly, when considered in conjunction with Note (1) to the financial statements, the consolidated position of the Hazel-Atlas Glass Company and subsidiary companies at December 27, 1941, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the previous year, other than as stated in the preceding paragraph.

Price, Waterhouse & Co.

ERNST & ERNST
ACCOUNTANTS AND AUDITORS
SYSTEM SERVICE
TOLEDO

February 17, 1942

BOARD OF DIRECTORS,
LIBBEY-OWENS-FORD GLASS COMPANY
Toledo, Ohio

We have examined the balance sheet of LIBBEY-OWENS-FORD GLASS COMPANY as of December 31, 1941, and the statements of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In accordance with the practice established in 1937, our representatives visited all of the plants of the Company during the year for the purpose of reviewing the procedures employed in taking inventories and to make test checks of the inventory quantities; and, it is our opinion that the inventories are fairly stated at the lower of cost or replacement market prices. We also corresponded with customers, and with trade creditors having balances in excess of $25.00.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of LIBBEY-OWENS-FORD GLASS COMPANY at December 31, 1941, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

Certified Public Accountants

. . AND SUBSIDIARY COMPANIES . . .

CONSOLIDATED PROFIT AND LOSS STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 1941 AND 1940

	Year ended December 31, 1941	Year ended December 31, 1940
Net sales, royalties and other operating revenues	$125,555,156.69	89,297,206.29
Cost of sales, royalties paid, patent, development and other operating expenses (including depreciation of manufacturing plants and amortization of leased equipment; 1941—$3,516,156.48, 1940—$3,435,222.36)	95,231,867.88	70,629,458.17
Manufacturing profit and net operating revenues	$ 30,323,288.81	18,667,748.12
Selling, general and administrative expenses	$ 9,381,017.01	8,282,790.56
Interest on debentures	252,083.34	307,083.33
Other interest	54,485.47	1,753.57
Provision for management bonus	628,250.00	48,643.75
Cash discounts on sales	1,096,624.26	789,697.02
Provision for bad debts	195,271.47	146,106.83
Sundry expenses and losses	326,576.48	87,747.87
	$ 11,934,308.03	9,663,822.93
	$ 18,388,980.78	9,003,925.19
Other income:		
Dividends	$ 153,872.55	212,175.60
Interest	77,506.97	81,248.67
Cash discounts on purchases	473,766.05	300,039.01
Profit or *loss* on sale of securities and other income	5,945.66	*40,328.41*
	$ 711,091.23	553,134.87
	$ 19,100,072.01	9,557,060.06
Cash proceeds received in year from sale of patent rights and licenses	37,500.00	49,000.00
	$ 19,137,572.01	9,606,060.06
Past service cnnuities covering certain employees, purchased under insurance company contract	1,389,127.00	
Total income before providing for income taxes	$ 17,748,445.01	9,606,060.06
Provision for:		
Federal normal income tax	$ 4,094,300.00	2,360,400.00
Federal excess profits tax	4,595,000.00	
State and foreign income taxes	18,996.46	22,626.30
	$ 8,708,296.46	2,383,026.30
Net profit for year	$ 9,040,148.55	7,223,033.76
Number of shares outstanding at December 31	2,661,204	2,661,204
Earnings per share	$ 3.40	2.71

OWENS-ILLINOIS GLASS COMPANY . .

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1941 AND 1940

ASSETS

	Dec. 31, 1941	Dec. 31, 1940
CURRENT ASSETS:		
Cash in banks and on hand	$ 7,470,899.43	9,884,207.75
Time deposits with insurance companies	1,000,000.00	1,000,000.00
U. S. Treasury tax notes, Series "B", Due August 1, 1943	2,000,000.00	
Other U. S. Government securities	1,549,950.00	
Marketable securities, at cost (quoted market value December 31, 1941, $645,291.50)	511,807.07	511,807.07
	$12,532,656.50	11,396,014.82
Notes and accounts receivable	$11,910,162.10	8,863,230.47
Less: Reserve	1,290,768.37	1,074,422.38
	$10,619,393.73	7,788,808.09
Inventories, at cost—		
Raw materials	$ 5,793,461.54	2,707,133.21
Work in process	1,453,607.61	901,398.39
Finished goods	11,722,021.76	11,209,601.26
	$18,969,090.91	14,818,132.86
Total current assets	$42,121,141.14	34,002,955.77
INVESTMENTS AND OTHER ASSETS, AT COST:		
Investment in Owens-Corning Fiberglas Corporation	$ 3,275,296.14	3,358,796.14
Natural gas properties, one-half joint ownership	1,006,414.87	797,382.25
Sundry security investments	779,454.83	783,581.75
Mutual insurance and other deposits	361,071.07	328,961.61
Sundry loans, notes and accounts receivable	330,040.11	326,492.21
	$ 5,752,277.02	5,595,213.96
PROPERTY, AT COST, LESS DEPRECIATION:		
Manufacturing plants—land, buildings and equipment	$76,868,175.66	75,035,720.66
Gas and oil properties—land, buildings, leases, wells, etc.	1,107,795.23	1,120,532.20
Other real estate and equipment	2,128,005.76	1,877,358.39
	$80,103,976.65	78,033,611.25
Less: Reserves for depreciation and obsolescence	34,799,971.48	32,552,133.57
	$45,304,005.17	45,481,477.68
Leased machinery—in process of amortization	382,363.52	292,086.31
	$45,686,368.69	45,773,563.99
LICENSES, PATENTS AND GOODWILL:		
Licenses and patent rights—in process of amortization	$ 729,568.45	842,290.67
Patents and goodwill	1.00	1.00
	$ 729,569.45	842,291.67
DEFERRED CHARGES:		
Unexpired insurance	$ 143,919.79	161,389.94
Prepaid taxes, advertising and other expenses	601,363.21	330,695.17
Manufacturing supplies and repair parts	3,081,546.23	1,812,443.00
	$ 3,826,829.23	2,304,528.11
	$98,116,185.53	88,518,553.50

CONTINGENT LIABILITIES:

The Company's income tax returns are open for 1929 and subsequent years, the Bureau of Internal Revenue mak
income and a maximum liability for additional taxes and interest of approximately $1,000,000. This li
There are also various actions pending for damages which, in the opinion of counsel, are for the most part n

. . AND SUBSIDIARY COMPANIES . . .

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1941 AND 1940

LIABILITIES

	Dec. 31, 1941	Dec. 31, 1940
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 5,017,506.80	3,045,234.60
Customers' credit balances	266,899.49	180,042.59
Accrued wages	1,184,299.16	789,061.57
Accrued interest on debentures	91,666.67	114,583.33
Accrued management bonus	314,125.00	48,643.75
Accrued property, sales and other state taxes	359,609.61	363,241.58
Accrued federal income, capital stock and social security taxes	9,398,785.11	2,851,951.17
Sinking fund payment due August 1, 1942	1,000,000.00	1,000,000.00
Total current liabilities	$17,632,891.84	8,392,758.59
LONG TERM DEBT:		
Fifteen year 2¾% sinking fund debentures, due August 1, 1952. Redeemable as a whole on any interest date at a premium—sinking fund provisions call for a minimum annual payment of $1,000,000 and permit a maximum of $2,000,000	$ 7,000,000.00	9,000,000.00
Amounts payable in years 1943 to 1946 for patent rights purchased	105,500.00	148,500.00
	$ 7,105,500.00	9,148,500.00
RESERVES FOR REPAIRS AND CONTINGENCIES	$ 1,425,169.32	1,381,809.09
DEFERRED INCOME:		
Amounts receivable in years 1942 to 1944 from sales of patent rights and licenses	$ 90,000.00	120,000.00
CAPITAL STOCK AND SURPLUS:		
Capital stock, $12.50 par value—Authorized—3,000,000 shares Issued and outstanding—2,661,204 shares	$33,265,050.00	33,265,050.00
Paid-in surplus	10,698,150.00	10,698,150.00
Earned surplus	27,899,424.37	25,512,285.82
	$71,862,624.37	69,475,485.82
	$98,116,185.53	88,518,553.50

Note: So long as any of the above debentures are outstanding the Company may not pay any dividend except out of Consolidated Net Income subsequent to December 31, 1936. The Consolidated Earned Surplus at that date was $18,430,943.24.

ing contentions principally on the merits of the depreciation deductions taken, which would result in additional taxable
ability is not admitted and no provision therefor has been made in the accounts.
ot well founded and will not result in any material liability on the part of the Company.

OWENS-ILLINOIS GLASS COMPANY . .

CONSOLIDATED EARNED SURPLUS ACCOUNT
FOR THE YEARS ENDED DECEMBER 31, 1941 AND 1940

	Year ended December 31,	
	1941	1940
BALANCE AT BEGINNING OF YEAR	$25,512,285.82	23,611,660.06
Add:		
Net profit for year	9,040,148.55	7,223,033.76
	$34,552,434.37	30,834,693.82
Deduct:		
Cash dividends paid—1941, $2.50 per share	6,653,010.00	
Cash dividends paid—1940, $2.00 per share		5,322,408.00
BALANCE AT END OF YEAR	$27,899,424.37	25,512,285.82

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS
1 NORTH LASALLE STREET
CHICAGO

February 5, 1942

To the Board of Directors,
Owens-Illinois Glass Company,
Toledo, Ohio

We have examined the consolidated balance sheet of Owens-Illinois Glass Company (Ohio) and its subsidiary companies as of December 31, 1941, and the consolidated profit and loss statement and earned surplus account for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related consolidated profit and loss statement and earned surplus account present fairly the consolidated position of the companies at December 31, 1941, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We had previously made a similar examination of the accompanying consolidated balance sheet as at December 31, 1940, and the consolidated profit and loss statement and earned surplus account for the year ended that date which are presented for the purpose of comparison.

(Signed) ARTHUR YOUNG & COMPANY

Certified Public Accountants.

PITTSBURGH PLATE GLASS COMPANY

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

FARMERS BANK BUILDING
PITTSBURGH

ACCOUNTANTS' CERTIFICATE

Pittsburgh Plate Glass Company:

We have examined the consolidated balance sheet of Pittsburgh Plate Glass Company and its domestic subsidiaries as of December 31, 1941 and the related summary of consolidated income and surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control. We observed the taking of the physical inventories at the principal locations of the companies and made tests of quantities, prices, and computations.

In our opinion, the accompanying consolidated balance sheet and summary of consolidated income and surplus fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent (except for the change described in Note 2 to the summary of consolidated income and surplus) with that of the pr c ding year.

Haskins & Sells

Pittsburgh
February 20, 1942.

ELGIN NATIONAL WATCH COMPANY

BALANCE SHEET DECEMBER 31, 1941

ASSETS

CURRENT ASSETS:			
Cash on hand and in banks			$ 1,009,081.83
Marketable securities—			
United States Treasury bills and defense bonds at cost		$1,497,685.00	
United States Treasury tax notes at cost		1,500,000.00	
Other bonds — at cost less reserve of $65,900.67 to reduce to lower of cost or quoted market value		394,323.04	
		$3,392,008.04	
Accrued interest		8,970.58	3,400,978.62
Accounts and notes receivable—			
Trade accounts receivable		$4,846,403.36	
Trade notes receivable		225,533.54	
Miscellaneous		7,691.70	
		$5,079,628.60	
Less—Reserve for discounts and doubtful notes and accounts		463,764.90	4,615,863.70
Inventories—valued on basis of cost or market, whichever lower—			
Finished merchandise		$ 176,821.69	
Work in process		3,029,813.13	
Raw materials and supplies		1,859,195.17	
Expenditures for production contracts in progress		789,635.73	
		$5,855,465.72	
Less—Reserve		89,252.75	5,766,212.97
Expenditures for emergency plant facilities to be reimbursed			861,383.74
Total current assets			$15,653,520.86
OTHER ASSETS:			
Escrow deposit (U. S. Treasury bonds) under terms of agreement with Illinois Industrial Commission		$ 20,006.25	
Investments in and advances to foreign subsidiary companies (not consolidated), less reserve		28,658.29	48,664.54
DEFERRED CHARGES			66,875.67
CAPITAL ASSETS—at cost:			
Land		$ 128,852.86	
Emergency plant facilities less amortization of $20,092.03		87,769.66	
Factory buildings, machinery and equipment	$8,319,247.47		
Less—Reserve for depreciation	4,207,930.99	4,111,316.48	4,327,939.00
			$20,097,000.07

LIABILITIES

CURRENT LIABILITIES:			
Accounts payable—Trade		$ 658,640.98	
Accrued liabilities—			
Accrued salaries, wages and bonus, and pension and relief fund contributions		1,040,304.08	
Accrued taxes other than Federal income and excess profits taxes		229,383.64	
Reserve for Federal income and excess profits taxes		1,973,767.43	
Total current liabilities			$ 3,902,096.13
GENERAL RESERVES			1,500,000.00
STATED CAPITAL AND SURPLUS:			
Capital stock—Authorized and issued—400,000 shares of a par value of $15.00 each		$ 6,000,000.00	
Capital surplus arising from reduction of par value of capital stock in 1933		4,000,000.00	
		$10,000,000.00	
Earned surplus—			
Balance, December 31, 1940	$4,144,182.84		
Add—			
Net profit for the year ended December 31, 1941, per statement attached	1,550,721.10		
Portion of reserve for doubtful accounts appropriated from earned surplus in prior years no longer required and now restored	200,000.00		
	$5,894,903.94		
Deduct—Dividends declared and paid in cash—$3.00 per share	1,200,000.00	4,694,903.94	14,694,903.94
			$20,097,000.07

ELGIN NATIONAL WATCH COMPANY

STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 1941

Profit from operations (after providing $236,711.67 for depreciation)		$3,778,633.28
Add:		
Interest earned, less amortization of premiums paid on securities	$ 36,339.62	
Other miscellaneous income and credits	11,400.09	47,739.71
		$3,826,372.99
Deduct:		
Pension fund contributions	$ 326,180.52	
Payments to retired employees not members of the pension fund	19,925.32	
Elgin Watchmakers' College loss	4,546.05	350,651.89
Profit before providing for Federal income and excess profits taxes		$3,475,721.10
Deduct:		
Provision for Federal income tax	$ 680,000.00	
Provision for Federal excess profits tax	1,245,000.00	1,925,000.00
Net profit for the year carried to earned surplus		$1,550,721.10

Accountants' Report

PRICE, WATERHOUSE & Co.

33 NORTH LA SALLE STREET
CHICAGO

To the Board of Directors,
Elgin National Watch Company,
Elgin, Illinois.

We have examined the balance sheet of Elgin National Watch Company as at December 31, 1941 and the related statement of profit and loss for the year then ended. In connection therewith, we have reviewed the system of internal check and the accounting procedures and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made *in accordance with generally accepted auditing* standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the attached balance sheet and related statement of profit and loss present fairly the position of Elgin National Watch Company at December 31, 1941, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & Co.

CHICAGO,
February 24, 1942.

ACCOUNTANTS' REPORT

To the Board of Directors of the

GILLETTE SAFETY RAZOR COMPANY,
BOSTON, MASSACHUSETTS.

We have examined the Consolidated Balance Sheet of the Gillette Safety Razor Company and Subsidiary Companies as of December 31, 1941 and the statements of Consolidated Profit and Loss and Surplus for the year then ended, in which are incorporated the accounts of certain foreign Subsidiaries for the year ended November 30, 1941, and of foreign Subsidiaries operating in Axis or Axis-occupied countries for periods ended principally during the latter part of 1941. In that connection, except as to the Subsidiary Companies indicated in the succeeding paragraph, we have reviewed the system of internal control and the accounting procedures of the Company and its Subsidiary Companies and, without making a detailed audit of their transactions, have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

We have not examined the accounts of the foreign Subsidiary Companies operating in Axis and Axis-occupied countries but have been furnished with the last available unaudited accounts for periods ended principally during the latter part of 1941. A review of these unaudited accounts indicates that they have been prepared along the same lines as the audited accounts of the year ended November 30, 1940, and that the position shown does not differ materially from that reported as of November 30, 1940. The status of these Companies since the dates of the unaudited accounts cannot be determined.

In our opinion, subject to the exception stated in the preceding paragraphs, the accompanying Consolidated Balance Sheet and related statements of Consolidated Profit and Loss and Surplus present fairly the position of the Gillette Safety Razor Company and Subsidiary Companies at December 31, 1941 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Boston, Massachusetts,
March 25, 1942.

F. W. LAFRENTZ & CO.
CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS OF
SIMMONS COMPANY
NEW YORK, N. Y.

We have examined the consolidated balance sheet of Simmons Company and its subsidiaries as of December 31, 1941, and the related statement of income and earned surplus for the fiscal year then ended. With respect to the parent company and its domestic subsidiaries, we have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods, at times, and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. With respect to the Canadian subsidiary we have accepted a report submitted by other independent public accountants and have also accepted unaudited statements of minor foreign subsidiaries and branches whose assets are approximately one per cent of the total consolidated assets.

In our opinion the accompanying balance sheet and related statement of income and earned surplus, together with the explanatory notes thereto, present fairly the consolidated position of Simmons Company and its subsidiaries at December 31, 1941, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in inventory practice, considered proper by us, as explained in Note 2 to the financial statements.

F. W. LAFRENTZ & CO.,
Certified Public Accountants.

New York N. Y.,
March 2, 1942.

AUDITORS' REPORT

To the Board of Directors and Stockholders of
Atlas Corporation:

We have examined the consolidated statement of financial condition of Atlas Corporation and its investment company subsidiaries as of December 31, 1941, and the related consolidated statements of income and surplus and net unrealized depreciation for the year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and have examined accounting records of the companies and other supporting evidence. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We accounted for securities owned at December 31, 1941, as shown in Schedules I, II and III, by count of stock certificates, bonds and notes or, in cases of securities purchased but pending receipt, by direct confirmation from holders.

Based upon such examination and upon the management's valuations of assets totaling $16,769,530.00 in the accompanying consolidated statement of financial condition (which valuations we are not in a position to substantiate but concerning which we have no information that would lead us to question them), in our opinion, the accompanying consolidated statement of financial condition and related consolidated statements of income and surplus and net unrealized depreciation present fairly the consolidated position of Atlas Corporation and its investment company subsidiaries at December 31, 1941 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Lybrand, Ross Bros. & Montgomery.

New York, February 9, 1942

To the Board of Directors and Security Holders of
CENTRAL STATES ELECTRIC CORPORATION:

We have examined the balance sheet of Central States Electric Corporation as of December 31, 1941, and the statements of income and surplus (deficit) for the year then ended, have reviewed the system of internal control and the accounting procedures of Central States Electric Corporation for the year ended December 31, 1941 and of its wholly owned subsidiary, Utilities Shares Corporation, for the period from January 1, 1941 to September 2, 1941, date of sale of subsidiary, and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. We have also inspected and counted securities on hand and received confirmation of securities held by custodian and found them to be in agreement with the portfolio set forth in the accompanying President's report. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, except for the treatment of stock dividends in prior periods referred to in the statement of surplus, the accompanying balance sheet and related statements of income and surplus (deficit) present fairly the position of Central States Electric Corporation at December 31, 1941, and the results of its operations for the year then ended (such results being stated after the inclusion of the operations of its wholly owned subsidiary, Utilities Shares Corporation, from January 1, 1941 to the date of its sale on September 2, 1941), in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN & CO.,
Certified Public Accountants.

New York, January 20, 1942.

Accountants' Certificate

Board of Directors,
Electric Bond and Share Company,
Two Rector Street,
New York.

We have examined the balance sheet of Electric Bond and Share Company as of December 31, 1941 and 1940 and the related statement of income for the three-month and twelve-month periods ended on those dates, and summary of surplus for the twelve months ended December 31, 1941; have reviewed the system of internal control and the accounting procedures of the Company, and have regularly examined or tested its accounting records and other supporting evidence by methods and to the extent we deemed appropriate, from the date of organization, March 13, 1929, to December 31, 1941.

Prior to April 1, 1938, the accounting policy of the Company was to apply to capital surplus the difference between ledger value and realized proceeds of securities which had been carried as investments. Since that date such difference is being applied to earned surplus as prescribed by the Uniform System of Accounts for Public Utility Holding Companies promulgated by the Securities and Exchange Commission and adopted by the Company as of April 1, 1938.

In our opinion, subject to the comment in the preceding paragraph, the accompanying balance sheet and related statement of income and summary of surplus, with their footnotes, fairly present the financial condition of the Company at December 31, 1941 and 1940, and the results of its operations for the periods shown by the respective statements, in conformity with generally accepted accounting principles consistently followed by the Company.

Haskins & Sells
Certified Public Accountants

New York,
March 2, 1942.

To the Board of Directors and Security Holders of

GENERAL AMERICAN INVESTORS COMPANY, INC.

WE have examined the balance sheet of GENERAL AMERICAN INVESTORS COMPANY, INC., as at December 31, 1941 and the statements of income and surplus for the year ending on that date. In connection therewith, we have examined accounting records of the company and other supporting evidence, have obtained confirmation of the cash at December 31, 1941 by certificates from the depositaries and have counted the securities owned as of the close of business on that date, with the exception of certain items subsequently received, which were counted by us after December 31. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the foregoing balance sheet and related statements of income and surplus, together with the explanatory notes thereon, present fairly the position of GENERAL AMERICAN INVESTORS COMPANY, INC., at December 31, 1941 and the results of its operations for the year ending on that date, in conformity with accepted accounting principles applied on a basis consistent with that of preceding years.

PRICE, WATERHOUSE & CO.

56 Pine Street, New York
January 7, 1942

THE LEHMAN CORPORATION

Balance Sheet as of close of business, June 30, 1942

ASSETS

CASH AND RECEIVABLES:		
Cash in Banks	$ 1,855,491.13	
Dividends Receivable and Interest Accrued	340,009.17	$ 2,195,500.30
U.S. GOVERNMENT OBLIGATIONS (AT AVERAGE COST)		3,792,484.38
SHORT-TERM DISCOUNT NOTES		599,943.75
OTHER SECURITIES (AT AVERAGE COST):		
OTHER BONDS	$ 3,463,386.41	
PREFERRED STOCKS	3,945,496.95	
COMMON STOCKS	47,897,242.66	55,306,126.02
INVESTMENT IN REAL ESTATE CORPORATION (AT COST) (see page 16)		950,687.50
OTHER REAL ESTATE INVESTMENT (see page 16)		1.00
MISCELLANEOUS INVESTMENTS AND ADVANCES		53,823.78
		$62,898,566.73

NOTE:

Of the Corporation's assets as of June 30, 1942, the cash and receivables and securities taken at market quotations, amounted to	$49,293,784.84
and the assets having no market quotations, but appraised at fair value in the opinion of the directors, amounted to	582,493.88
TOTAL	$49,876,278.72
Total cost of assets as above	62,898,566.73
Net unrealized depreciation	$13,022,288.01

LIABILITIES

PAYABLE FOR SECURITIES PURCHASED			$ 7,568.74
RESERVE FOR ACCRUED EXPENSES AND TAXES (see note 4, page 8)			99,866.72
CAPITAL STOCK AND SURPLUS:			
Capital Stock:			
Authorized:			
2,500,000 shares $1.00 par value			
Outstanding:			
2,086,884 shares	$ 2,086,884.00		
Capital Surplus	83,673,395.81		
	$85,760,279.81		
Less—102,907 shares held in treasury (at average cost)	2,073,394.75	$83,686,885.06	
Profit and Loss on Investments and Special Dividends Paid (Debit) (see page 9)	$25,419,280.65		
Undistributed Net Ordinary Income (see page 9)	4,523,526.86	20,895,753.79	62,791,131.27
			$62,898,566.73

NOTE:

The Corporation has purchase commitments under which it may make investments which will not exceed $307,500.

To the Board of Directors and Stockholders of
THE LEHMAN CORPORATION:

We have examined the balance sheet of The Lehman Corporation as at June 30, 1942 and the statements of income and profit and loss and of surplus for the fiscal year ending on that date. In connection therewith we have examined accounting records of the corporation and other supporting evidence and have obtained confirmation of the cash and securities as at June 30, 1942 by certificates from the depositaries. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and profit and loss and of surplus together with the explanatory notes thereon, present fairly the position of The Lehman Corporation at June 30, 1942 and the results of its operations for the fiscal year ending on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

PRICE, WATERHOUSE & CO.

56 Pine Street,
New York, N. Y., July 1, 1942.

The Lehman Corporation

Statement of Ordinary Income

Fiscal Year Ended June 30, 1942

Interest Earned		
On U. S. Government Obligations	$ 39,817.85	
On Other Bonds	188,022.73	
Cash Dividends (*excluding amounts attributable to Corporation's stock owned during period*)	2,995,907.07	
Taxable Dividends in Securities (see Note 3)	30,696.01	$3,254,443.66
Operating Expenses		
Salaries (see page 17)	$ 273,678.39	
Directors' Fees (see page 17)	9,800.00	
Registration, Transfer, Custody of Securities, Insurance, Legal, Auditing and Reports	57,852.27	
Provision for Franchise, Capital Stock and Miscellaneous Taxes	57,439.55	
Miscellaneous Expenses	60,421.69	459,191.90
Net Ordinary Income		$2,795,251.76

Notes:

(1) The net realized loss on investments for the fiscal year ended June 30, 1942 was $1,905,091.98 as shown on the statement of surplus. The net unrealized depreciation of the Corporation's assets, on June 30, 1942, based on market quotations, or, in the absence of market quotations, on fair value in the opinion of the directors, was approximately $13,022,288.01. The net unrealized depreciation on June 30, 1941, computed on the same basis, was approximately $7,134,294.63.

(2) Under the terms of the Management Agreement no liability for management compensation accrued for the fiscal year ended June 30, 1942.

(3) Taxable dividends paid in securities have been taken into income, the basis being the market value of such securities on the ex-dividend dates.

(4) No provision has been made for Federal income tax for the fiscal year ended June 30, 1942, nor is any believed to be required under the law now in force. Pending legislation may have some effect on the Corporation's tax liability for the year ended June 30, 1942, but at this time it is impossible to estimate the amount of such liability, if any.

The Lehman Corporation

Statement of Surplus

Fiscal Year Ended June 30, 1942

Capital Surplus

Balance, June 30, 1941 and June 30, 1942 (of which $2,073,394.75 is applicable to 102,907 shares of Treasury Stock)		$83,673,395.81

Undistributed Net Ordinary Income

Balance, June 30, 1941		$ 4,216,246.35
Net Ordinary Income for the fiscal year ended June 30, 1942 (per Statement of Ordinary Income)	$2,795,251.76	
Less—Dividends declared during the fiscal year ended June 30, 1942	2,487,971.25	307,280.51
Balance, June 30, 1942		$ 4,523,526.86

Profit and Loss on Investments and Special Dividends Paid

Accumulated Net Realized Loss on Investments from date Corporation commenced business, September 24, 1929, to June 30, 1941		$14,581,107.42
Special Dividends declared during previous years by reason of profits realized on investments during those years		8,933,081.25
Balance, June 30, 1941 (Debit)		$23,514,188.67
Net Realized Loss on Investments for the fiscal year ended June 30, 1942 (computed on the basis of average cost)	$1,921,010.51	
Less—Recovery on Real Estate Loan written off in prior year	15,918.53	1,905,091.98
Balance, June 30, 1942 (Debit)		$25,419,280.65

Report of Auditors

The Stockholders and the Board of Directors of The United Corporation:

We have made an examination of the Balance Sheet at December 31, 1941 and of the Statements of Income and of Surplus for the year ended December 31, 1941 of The United Corporation. In connection therewith, we made a detailed verification of all transactions recorded on the books of account of the Corporation. The securities owned by the Corporation were verified by inspection and the cash in banks was verified by statements received from such banks. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. In our opinion, the accompanying financial statements, together with the explanatory notes thereon, present fairly the position of The United Corporation at December 31, 1941 and the results of its operations for the period then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

New York, N. Y., February 10, 1942.

ACCOUNTANTS' REPORT

To the Board of Directors,
G. R. KINNEY CO., INC.,
NEW YORK, N. Y.

We have examined the Consolidated Balance Sheet of G. R. Kinney Co., Inc. and Subsidiary Companies as of December 31, 1941 and the statements of Consolidated Profit and Loss and Surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and its subsidiaries and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and its subsidiaries and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying Consolidated Balance Sheet and related statements of Consolidated Profit and Loss and Surplus present fairly the position of G. R. Kinney Co., Inc. and Subsidiary Companies at December 31, 1941 and the results of the operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.,
March 2, 1942.

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

New York, February 24, 1942

To the Board of Directors of
THE BABCOCK & WILCOX COMPANY,

We have examined the consolidated balance sheet of The Babcock & Wilcox Company and its wholly owned subsidiaries as at December 31, 1941, and the consolidated statement of profit and loss and surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statement of profit and loss and surplus present fairly the position of The Babcock & Wilcox Company and its wholly owned subsidiary companies at December 31, 1941, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

PRICE, WATERHOUSE & CO.
56 PINE STREET

New York, March 23, 1942

To the Stockholders of Ingersoll-Rand Company:

We have examined the consolidated balance sheet of Ingersoll-Rand Company (a New Jersey corporation) and domestic subsidiary companies as at December 31, 1941 and the consolidated income and surplus account for the year 1941, have reviewed the system of internal control and accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statement of income and surplus present fairly the position of Ingersoll-Rand Company and its domestic subsidiary companies at December 31, 1941 and the results of their operations for the year ended on that date in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

(Signed) PRICE, WATERHOUSE & CO.

INGERSOLL-RAND COMPANY

AND DOMESTIC SUBSIDIARY COMPANIES

Consolidated Income and Surplus Account

FOR THE YEAR ENDING DECEMBER 31, 1941

Profit from operations after charging depreciation of $998,403, and after write-off of investment in the undistributed surplus of foreign subsidiary companies in the amount of $826,267		$21,949,006
Dividends received from foreign subsidiary companies and controlled foreign manufacturing company		556,804
Income from other security investments		134,111
Miscellaneous income		99,349
Profit before charges below		$22,739,270
Provision for contingencies		1,000,000
		$21,739,270
Provision for estimated Federal income taxes	$4,099,568	
Provision for estimated Federal excess profits taxes	9,514,500	
		13,614,068
Profit for the year		$ 8,125,202
Earned surplus, January 1, 1941		7,650,771
		$15,775,973
Dividends declared in 1941:		
Preferred at 6%	$ 151,518	
Common at $7 per share	6,818,672	
		6,970,190
Earned surplus, per balance sheet		$ 8,805,783

INGERSOLL-RAND COMPANY

AND DOMESTIC SUBSIDIARY COMPANIES

Consolidated Balance Sheet, December 31st, 1941

ASSETS

Property:			
Buildings, machinery and equipment, furniture and fixtures, at cost	$11,963,123		
Less—Depreciation reserves	6,482,542		
	$ 5,480,581		
Land, at cost	439,367		
Other properties, at depreciated values	813,586		
		$ 6,733,534	
Investments:			
Investment in wholly owned foreign subsidiary companies	$ 1,408,059		
Investment in controlled foreign manufacturing company including equity in undistributed surplus to December 31, 1939	2,700,578		
Investment in wholly owned housing development companies	1,005,442		
Other investments	146,965		
		5,261,044	
Current Assets:			
Inventories of raw materials at the lower of cost or market, and materials in process and finished goods at approximate cost, less reserves of $1,087,138 for obsolescence	$17,587,656		
Accounts and notes receivable — (less reserve of $100,000)	9,947,239		
United States Treasury Notes, Tax Series B	6,000,000		
Other United States obligations and other securities at the lower of cost or market (market quotations U. S. obligations $8,389,145, other securities $43,943)	8,280,829		
Cash in banks and on hand	6,646,616		
Cash received as advance payments on orders	3,093,131		
		51,555,471	
Deferred Charges to Income		241,160	
		$63,791,209	

LIABILITIES

Capital Stock:			
Preferred stock, 6% cumulative: Authorized—50,000 shares of $100 par value; Issued —25,255 shares		$ 2,525,500	
Common stock: Authorized—1,500,000 shares of no par value; Issued —1,000,000 shares (stated value)	$28,000,000		
Less—Treasury stock—25,870 shares (stated value)	724,360	27,275,640	
			$29,801,140
Current Liabilities:			
Accounts payable, accrued expenses, etc.		$ 4,891,825	
Advance payments on orders		3,093,131	
Dividend on preferred stock payable January 2, 1942		75,759	
Reserve for estimated Federal income and excess profits taxes		13,650,000	
			21,710,715
Reserve for Contingencies			2,000,000
Capital Surplus:			
Balance, January 1, 1941			1,473,571
Earned Surplus, per annexed statement			8,805,788
(Includes equity in undistributed earnings of controlled foreign manufacturing company to December 31, 1939 in the amount of $1,765,624)			
			$63,791,209

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

The Board of Directors of
UNITED STATES HOFFMAN MACHINERY CORPORATION:

We have examined the consolidated balance sheet of United States Hoffman Machinery Corporation (a Delaware corporation) and its subsidiaries as of December 31, 1941 and the related summaries of consolidated income and surplus for the year ended that date (European subsidiaries being excluded from such consolidated statements), have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

In our opinion, the accompanying consolidated balance sheet and related summaries of consolidated income and surplus (with the footnotes thereon) fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York,
February 5, 1942.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

Harris Trust Building
CHICAGO

ACCOUNTANTS' CERTIFICATE

TO THE BOARD OF DIRECTORS OF
THE WAYNE PUMP COMPANY:

We have examined the balance sheet of The Wayne Pump Company as of November 30, 1941 and the related summary of income and surplus for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. Our examination of inventories included physical tests of quantities. We have also made a similar examination with respect to the Company's non-consolidated foreign subsidiary companies.

In our opinion, the accompanying balance sheet and summary of income and surplus fairly present the financial condition of the Company at November 30, 1941 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

Chicago,

January 21, 1942.

TOUCHE, NIVEN & CO.
CERTIFIED PUBLIC ACCOUNTANTS
EIGHTY MAIDEN LANE
NEW YORK

February 28, 1942.

To the President and Board of Directors of
Worthington Pump and Machinery Corporation:

We have examined the consolidated balance sheet of Worthington Pump and Machinery Corporation and domestic subsidiary companies as of December 31, 1941, and the consolidated income and surplus account for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies, and, without making a detailed audit of all transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statement of income and surplus present fairly the consolidated position of Worthington Pump and Machinery Corporation and domestic subsidiary companies at December 31, 1941, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN & CO.,
Certified Public Accountants.

New York, March 9, 1942.

To the Stockholders:

Your Directors submit the Income and Surplus Accounts and the Balance Sheet of the Company for the year 1941, with the certificate of our auditors. As in previous years, domestic and foreign accounts have been consolidated, except that for 1941 no figures are included for operations in Germany. This means, of course, that the comparative figures between the years 1940 and 1941 are not on exactly the same basis. For ease in reference, the two statements are numbered. Explanations in the following report also carry numbers to tie the written comments to the various Income and Surplus and Balance Sheet Items.

Comparative Statement of Income and Surplus

		1941	1940
1.	Net Sales	$29,769,103.78	$21,081,445.67
2.	*Cost of Sales—Factory cost, selling, administrative and general expenses	25,953,928.36	18,760,226.25
3.	Net Profit before Miscellaneous Income, etc.	3,815,175.42	2,321,219.42
4.	Add: Miscellaneous Income, Dividends and Interest received less charges for 1941, $8,434.75 and 1940, $21.00	256,625.19	297,333.44
5.	Net Profit from ordinary operations before Federal, State and Foreign Income Taxes	4,071,800.61	2,618,552.86
6.	Deduct: Provision for Federal, State and Foreign Income Taxes (including Excess Profits Taxes)	2,402,413.93	1,032,385.74
7.	Net Profit from ordinary operations	1,669,386.68	1,586,167.12
8.	Deduct: Reserve for Foreign Contingencies	—	175,000.00
9.	Net Profit (from ordinary operations after deducting Reserve for Foreign Contingencies)	$ 1,669,386.68	$ 1,411,167.12
	Add:		
10.	Earned Surplus—January 1st	$ 4,892,611.78	$ 4,782,053.84
11.	Earned Surplus before the following charges	6,561,998.46	6,193,220.96
	Deduct:		
12.	Adjustment in connection with the conversion of net assets in foreign countries	23,084.86	5,485.28
13.	Addition to Reserve for Foreign Contingencies	920,932.76	825,000.00
14.	*Profits* or Losses on sales of investments during the year	*372.16*	*16,532.10*
15.	Cash Dividends	486,656.00	486,656.00
16.	Total Charges to Earned Surplus	1,430,301.46	1,300,609.18
17.	Earned Surplus—December 31st	$ 5,131,697.00	$ 4,892,611.78
	*Including:		
	Depreciation	666,410.01	515,862.64
	Maintenance and Repairs	1,335,812.73	836,713.93

Comments on Income and Surplus Statement

(*See page 3*)

Item 1.

In 1941 the sales of $29,769,103 were 41.2% above the 1940 sales of $21,081,445, even though the 1941 figure did not include any sales of the Velbert (German) Division. These 1941 shipments are the largest ever made by the Company.

Our Materials Handling Equipment and Rotary Pump lines were in great demand. In Locks and Hardware the volume also was unusually large. Because of the nature of our regular products, a considerable percentage of our business in them was directly or indirectly connected with the war effort. In addition, the Company undertook progressively during the year more orders on special war items.

Because of the Company's equipment and skilled personnel, and because of a definite policy of maximum cooperation in the war effort, the trend in 1942 will be strongly toward an increasing amount of war product. Concurrently, however, our Lock and Hardware lines undoubtedly will have to be curtailed to conserve metals.

The English and Canadian Divisions not only did well but they worked closely with their respective governments on war work. It is also of interest that by re-tooling and by a special effort the Company was able to do from the United States a considerable amount of the Latin American business formerly done by us from Germany. Unfortunately, due to material shortages this program is becoming more and more difficult.

Item 2.

An unceasing effort was made during 1941 to improve the machinery and equipment in the Company's plants. On the whole, it can be said that manufacturing efficiency advanced due chiefly to better facilities and to a program of simplification of product. The latter was undertaken to conserve materials and to increase the volume of production.

Depreciation increased from $515,862 to $666,410. The longer hours of operation and the amortization on a basis of 20% a year of a considerable amount of newly acquired machinery in connection with war work were largely responsible.

Item 6.

In this report reserves for Federal Income and Excess Profits Taxes have been set up without any deduction in 1941 in connection with the

Company's German properties. All of the necessary facts are not yet obtainable and, therefore, neither the amount of deductions nor the year or years for them is definitely ascertainable. It seems certain, however, that losses have been or will be sustained in Germany and that tax credits will materialize for 1941, or for future years or for both.

Item 8.

No reserve for foreign contingencies was required for 1941 from operations, as transfers of profits were made from Canada and England and as no German profit was included due to a total lack of final figures for the year.

Item 9.

The net profit for 1941 was $1,669,386, an increase of $258,219 over 1940. This represented a profit per share in 1941 of $3.43.

With such a large increase in sales as took place in 1941 a greater advance in net profit might well have been expected. The increase in the Federal Tax Rates and the application of the Excess Profits Tax before rather than after the normal tax both made a great difference. These factors applied to the much greater taxable profit were chiefly responsible for the large increase in Income and Excess Profits Taxes, as reflected in Item 6.

During 1941 dividends of $1.00 per share were paid. The acute need of the business for cash made this payment the largest one the Directors could declare in accord with prudent financial judgment.

Earnings in Canada and England were calculated at the average exchange rates during the year.

Item 13.

A transfer of $920,932 from Surplus to Reserve for Foreign Contingencies seemed, under all the circumstances, sound judgment to the Directors. A further explanation of this reserve is given under Balance Sheet Item 33.

Comments on Balance Sheet

(*See pages 8 and 9*)

Item 18.

Because the unusual expansion of the business in 1941 required an increase of various types of assets (principally receivables and inventory) the Company closed the year somewhat short of cash. This was true despite the $1,000,000 bank debt as shown in Item 28. Naturally, every effort will be made to strengthen the Company's cash position.

On December 31st, cash in Canada, at an exchange rate of $.80 for the Canadian dollar, and in England, at an exchange rate of $3.50 for the pound sterling, amounted to $350,100 of the total cash of $1,497,072, which included no cash in Germany. In fact, no German assets of any kind are included in the Balance Sheet.

Item 19.

The increase of $752,653 in receivables, to a total of $4,368,388, was consistent with the advance in sales. All known bad debts were absorbed in operations. The $200,000 reserve is a blanket one to cover unforeseen contingencies.

Item 20.

Inventories of $10,443,323 at the close of the year showed an increase of $2,181,249. This advance, however, must be judged in connection with the larger sales, the addition of new war products and the heavy unfilled balances. In view of these considerations the inventory is felt to be proper in amount.

Item 21.

With Total Current Assets increased by $2,820,199, to a total of $16,308,783, the ratio to Current Liabilities (see Item 32 amounting to $5,904,802) stood at 2.8 to 1. In Canada and England, at the conversion rates indicated in Item 18, Net Current Assets amounted to $1,257,623.

Item 23.

In 1941 Plant and Equipment decreased $819,099 to a total of $7,350,269. This drop took place due to the elimination of the German assets in this category. Aside from Germany total betterments were $947,639 and depreciation was $666,410, making the net increase in Plant Account $281,229.

Item 24.

The elimination of those German assets previously carried under this caption was responsible for the large drop in this item, which decreased from $1,084,332 to $372,013.

Item 27.

The rise of Total Assets, amounting to $1,284,197, took place despite the elimination of German assets. In Canada and England the Company's Total Assets were $3,240,418 at the end of 1941.

Item 31.

As was explained under Item 6, tax reserves have been set up without regard for possible tax credits in connection with the Company's German assets. Item 31, therefore, was figured to represent the maximum liability.

Item 33.

Some years ago, the Company commenced accumulating a reserve as a protection against possible losses to its foreign investments. This reserve at the close of 1940 amounted to $3,000,000.00 (of which $768,192.00 was provided in 1938 out of Capital Surplus). Now that a state of war exists between this country and Germany, it has been deemed advisable to eliminate from the Company's Balance Sheet for the year 1941 the total amount of its investment in Germany, amounting to $2,920,932, consisting of stock in its German subsidiaries and the assets and liabilities of its German Division. Accordingly, there has been charged against the "Reserve for Foreign Contingencies" the sum of $2,920,932 and the remaining balance of $79,068 has been brought up to $1,000,000.00 by transferring from Earned Surplus the sum of $920,932, as stated under Item 13.

General Comments

The loyalty, ability and cooperation throughout the Company are of a high order. For this the Directors and Officers wish to express a deep sense of gratitude.

By order of the Board of Directors.

W. Gibson Carey, Jr.,
President.

John H. Towne,
Chairman of the Board.

COMPARATIVE BALANCE SHEET

ASSETS

	Dec. 31, 1941	Dec. 31, 1940
18. Cash	$ 1,497,072.17	$ 1,610,776.58
19. Receivables	4,568,388.24	3,815,734.47
Less: Reserve for Doubtful Accounts	*200,000.00*	*200,000.00*
	$ 4,368,388.24	$ 3,615,734.47
20. Merchandise Inventories — at Lower of Cost or Market	10,443,323.36	8,262,073.66
21. Total Current Assets	$16,308,783.77	$13,488,584.71
22. Employees' Loans for Stock and Home Purchases (Secured)	73,505.58	85,748.86
23. Plant and Equipment	16,648,196.66	17,840,340.62
Less: Reserve for Depreciation	*9,297,926.73*	*9,670,971.69*
	$ 7,350,269.93	$ 8,169,368.93
24. Investments in and Advances to Subsidiaries and Other Companies	372,013.46	1,084,332.14
25. Trademarks, Patents and Goodwill	1.00	1.00
26. Prepaid Insurance, Taxes, etc.	98,325.78	90,666.66
27. Total	$24,202,899.52	$22,918,702.30

TO THE BOARD OF DIRECTORS,
THE YALE & TOWNE MANUFACTURING COMPANY.

We have made an examination of the Balance Sheet of The Yale & Towne Manufacturing Company as at December 31, 1941, and of the related Statement of Income and Surplus for the year ended December 31, 1941, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination included all procedures which we considered necessary and was made in accordance with generally accepted auditing standards applicable in the circumstances.

We also examined the general corporate records of the subsidiaries not consolidated. The aggregate equities in subsidiaries not consolidated exceed, by a moderate amount, the investments in and advances to such subsidiaries, and the

LIABILITIES

	Dec. 31, 1941	Dec. 31, 1940
28. Notes Payable to Banks	$ 1,000,000.00	—
29. Accounts Payable	1,971,214.27	1,508,557.11
30. Dividends Payable January 2nd.	72,998.40	72,998.40
31. Reserves for Taxes and Other Accruals	2,860,589.85	1,278,135.01
32. Total Current Liabilities	$ 5,904,802.52	$ 2,859,690.52
33. Reserve for Foreign Contingencies	1,000,000.00	3,000,000.00
34. Capital Stock:		
Authorized...$25,000,000.00 (1,000,000 shares of $25.00 par value)		
Issued—486,656 shares	12,166,400.00	12,166,400.00
35. Earned Surplus	5,131,697.00	4,892,611.78
36. Total	$24,202,899.52	$22,918,702.30

operating results of these subsidiaries for 1941 have been substantially reflected in the Company's accounts.

Plant and equipment is stated at $110,680.69 less than cost, after allowing for appreciation of land $198,665.70 recorded prior to 1910. The assets are shown net after providing adequate reserves aggregating $9,579,895.63 against possible losses, depreciation and obsolescence.

In our opinion, the foregoing Balance Sheet and related Statement of Income and Surplus, read in conjunction with the comments contained in the first paragraph of the President's report and under items numbered 6, 8, 9, 18, 21, 27 and 33 present fairly the position of The Yale & Towne Manufacturing Company at December 31, 1941, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

BARROW, WADE, GUTHRIE & CO.
Accountants and Auditors.

New York, N. Y., March 9, 1942.

AUDITORS' REPORT

To the Board of Directors of
The American Metal Company, Limited,
New York, N. Y.

We have examined the consolidated and individual balance sheets of THE AMERICAN METAL COMPANY, LIMITED and its subsidiaries (other than Rhodesian Selection Trust Limited, Mufulira Copper Mines Limited and The South American Metal Company of Chile) as of December 31, 1941, and the consolidated and individual statements of income and surplus or deficit for the fiscal year then ended, and have received printed copies of financial statements of and chartered accountants' reports to Rhodesian Selection Trust Limited as at September 30, 1941 and Mufulira Copper Mines Limited as at June 30, 1941, such reports being the latest audited reports available. We have also received a report of public accountants upon their examination of the balance sheet of the wholly owned subsidiary, The South American Metal Company of Chile, as of October 31, 1941 and upon their limited examination of such subsidiary's records for the period from October 31 to December 31, 1941. We have reviewed the systems of internal control and the accounting procedures of The American Metal Company, Limited and its subsidiary companies (other than Rhodesian Selection Trust Limited, Mufulira Copper Mines Limited and The South American Metal Company of Chile) and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, based upon the above outlined examinations and reviews and receipt of reports of other accountants, as above-mentioned, the accompanying balance sheet and related statements of income and surplus present fairly the consolidated position of The American Metal Company, Limited and subsidiary companies in which a voting control of 80 per cent or more is owned at December 31, 1941, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY.

New York, February 20, 1942.

POGSON, PELOUBET & CO.
CERTIFIED PUBLIC ACCOUNTANTS

PERCY W. POGSON
MAURICE E. PELOUBET
LEWIS M. NORTON
SIDNEY W. PELOUBET
HOWARD L. GUYETT
CRAWFORD C. HALSEY

NEW YORK - 25 BROADWAY
EL PASO, TEXAS - MILLS BLDG.

CABLE ADDRESS "CERTIFIED" NEW YORK

AGENTS
EUROPE - KEMP, CHATTERIS, NICHOLS, SENDELL & CO.
LONDON AND PARIS
EGYPT - HEWAT, BRIDSON & NEWBY
ALEXANDRIA AND CAIRO

To the Board of Directors,

Anaconda Copper Mining Company,
25 Broadway, New York, N. Y.

We have examined the Consolidated Balance Sheet as of December 31, 1941 of Anaconda Copper Mining Company and the other corporations whose accounts are consolidated with its accounts as stated in Note A to the Consolidated Balance Sheet (which other corporations are hereinafter referred to as consolidated subsidiaries) and their Consolidated Income and Surplus Accounts for the calendar year 1941, have reviewed the system of internal control and the accounting procedures of the Company and its subsidiaries and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and its subsidiaries and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The practice of the Company and its subsidiaries in computing their net income or net loss without deduction for depletion of metal mines is in accordance with accepted accounting procedures in industries engaged in the mining of copper, zinc, lead, silver and gold, and is in agreement with long established and consistently maintained accounting practices and procedures of this Company and its subsidiaries and others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements.

In our opinion, the accompanying Balance Sheet and related Income and Surplus Accounts, together with the notes attached thereto or appearing thereon, present fairly the consolidated position of the Company and its consolidated subsidiaries at December 31, 1941 and the combined results of their operations for the calendar year 1941 in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York, March 24, 1942.

DELOITTE, PLENDER, GRIFFITHS & CO.

UNITED STATES, CANADA, CUBA, MEXICO.
SOUTH AMERICA, GREAT BRITAIN.
CONTINENTAL EUROPE AND SOUTH AFRICA

49 Wall Street

New York, February 11, 1942.

To the Board of Directors,
Continental Can Company, Inc., New York.

We have examined the consolidated balance sheet of Continental Can Company, Inc. and its wholly owned subsidiaries as of December 31, 1941 and the consolidated statement of profit and loss and earned surplus for the year then ended, have reviewed the system of internal control and accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related consolidated statement of profit and loss and earned surplus, as supplemented by the notes appended thereto, present fairly the consolidated position of Continental Can Company, Inc. and its wholly owned subsidiaries at December 31, 1941 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Plender Griffiths & Co.
Auditors.

CONTINENTAL CAN
AND WHOLLY OWNED
Consolidated

ASSETS

	December 31, 1941		December 31, 1940	
CURRENT ASSETS:				
Cash on Hand and Demand Deposits at Banks		$ 7,973,873.44		$10,175,986.12
Notes Receivable	$ 5,598,187.25		$ 6,959,838.99	
Accounts Receivable	15,557,023.84		13,971,954.82	
	21,155,211.09		20,931,793.81	
Less: Reserve for Doubtful Notes and Accounts	558,937.03	20,596,274.06	897,592.98	20,034,200.83
Inventories at the lower of cost or market:				
Raw Material	25,689,773.42		21,155,755.52	
Work in Process	5,570,648.59		4,993,352.74	
Finished Goods	7,579,051.05		5,444,553.61	
Supplies	4,923,969.86		3,712,197.37	
	43,763,442.92		35,305,859.24	
Less: Reserve for Obsolescence	291,770.60	43,471,672.32	286,904.89	35,018,954.35
Accrued Interest		11,191.98		17,906.94
Total Current Assets		72,053,011.80		65,247,048.24
SECURITY INVESTMENTS, at cost:				
Dominion of Canada 3% Victory Loan Bonds, due June 15, 1951 (Value based on Current Market quotation: Canadian $299,437.50—U. S. $269,763.51)	270,270.27		—	
The Metal Box Company, Ltd., England (shares) (Value based on Current Market quotation £369,950 or $1,493,673.13 @ $4.0375 per £)	1,111,034.13		1,111,034.13	
Domestic corporation quoted on New York Stock Exchange (shares) (Value based on Current Market quotations—$1,990,751.50)	1,206,066.08	2,587,370.48	1,047,071.58	2,158,105.71
OTHER SECURITY INVESTMENTS, at or below cost	574,333.42		770,829.04	
OTHER INVESTMENTS, at or below cost	1,843,657.71		1,711,163.68	
MORTGAGES, NOTES AND ACCOUNTS RECEIVABLE, not expected to be collected within one year	5,069,775.90		5,549,420.68	
	7,487,767.03		8,031,413.40	
Less: Reserve	3,231,546.78	4,256,220.25	3,007,836.49	5,023,576.91
DEPOSITS WITH MUTUAL INSURANCE COMPANIES		343,949.14		336,929.25
FIXED ASSETS:				
Property, Plant and Equipment at actual or estimated cost (Additions at cost in 1941 $11,473,050.88, in 1940 $6,088,319.32)	89,495,952.04		84,024,997.85	
Less: Reserves for Depreciation and Depletion	27,555,538.46	61,940,413.58	27,358,723.21	56,666,274.64
PREPAID EXPENSES AND DEFERRED ASSETS		599,921.23		1,054,118.74
		$141,780,886.48		$130,486,053.49

COMPANY · INC ·

SUBSIDIARY COMPANIES

Balance Sheet

LIABILITIES, CAPITAL STOCK AND SURPLUS

CURRENT LIABILITIES:	*December 31, 1941*		*December 31, 1940*	
Bank Loans		$6,000,000.00		—
Accounts Payable		5,869,403.15		$3,601,538.20
Preferred Dividends Payable		—		225,000.00
Past Service Annuity Premium (estimated currently payable)		175,000.00		175,000.00
Accrued Liabilities:				
Payrolls	$ 246,167.86		$ 318,861.50	
Tax Liability	5,804,656.15		4,023,135.86	
Interest on Debentures	52,500.00		52,500.00	
Other Accruals	11,056.57	6,114,380.58	10,027.18	4,404,524.54
Total Current Liabilities		18,158,783.73		8,406,062.74
RESERVES FOR INVENTORY PRICE DECLINE, COMPANY INSURANCE, CLAIMS OR OTHER CONTINGENCIES		1,788,924.91		1,628,371.11
RESERVE FOR PAST SERVICE ANNUITY PREMIUMS		1,912,562.84		2,253,963.23
PREMIUM ON SALES OF 25 YEAR 3% SINKING FUND DEBENTURES, LESS EXPENSES (unamortized balance)		677,139.99		718,337.28
25 YEAR 3% SINKING FUND DEBENTURES Dated December 1, 1940, due December 1, 1965		21,000,000.00		21,000,000.00
CAPITAL STOCK:				
Preferred: (without Par Value)				
Authorized: 1941—150,000 Shares; 1940—350,000 Shares				
Issued: 1941—None; 1940—200,000 Shares (Preferred stock authorized and issued was formally reduced by 200,000 shares during 1941)	—		20,000,000.00	
Common: ($20.00 Par Value)				
Authorized: 4,000,000 Shares				
Issued: 2,853,971 Shares	57,079,420.00	57,079,420.00	57,079,420.00	77,079,420.00
SURPLUS:				
Capital Surplus:				
Balance January 1	299,839.38		20,299,839.38	
Less: Allocated to redemption of 200,000 shares of $4.50 Cumulative Preferred Stock	—		20,000,000.00	
	299,839.38		299,839.38	
Add: Amount arising on reduction of Capital	20,000,000.00		—	
Proceeds from sale of Common Stock representing expired scrip certificates	2,346.37		—	
	20,302,185.75		299,839.38	
Earned Surplus	20,861,869.26	41,164,055.01	19,100,059.75	19,399,899.13
		$141,780,886.48		$130,486,053.49

The above Consolidated Balance Sheet at December 31, 1941 includes Net Assets of $9,126,137.88 and Earned Surplus of $24,399.31 of foreign subsidiaries in Canada and Cuba. The corresponding figures for 1940 were $7,973,209.16 and $259,960.22. There are exchange restrictions in Canada and the Cash shown above includes Canadian funds which, when converted to U. S. funds at the rate of exchange applying at the end of the respective years, amounted to $283,914.68 at December 31, 1941 and $198,236.01 at December 31, 1940.

J. S. SNELHAM, *Vice-President and Comptroller.*

CONTINENTAL CAN COMPANY · INC ·

AND WHOLLY OWNED SUBSIDIARY COMPANIES

Consolidated Statement of Profit and Loss and Earned Surplus

	Year 1941		Year 1940	
Gross Sales and Operating Revenues, less Discounts, Returns and Allowances		$136,652,016.47		$101,039,472.94
Less: Cost of Goods Sold and Operating Expenses		117,832,576.97		83,178,293.93
Gross Operating Profit		18,819,439.50		17,861,179.01
Selling, Advertising, General and Administrative Expenses	$6,357,118.39		$5,596,730.74	
Provision for Doubtful Notes and Accounts	351,612.02	6,708,730.41	442,365.28	6,039,096.02
Net Operating Income		12,110,709.09		11,822,082.99
Dividends and Interest received or accrued on Securities and Investments	228,656.81		187,514.87	
Other Income and Interest, including Net Profits on Securities sold, etc.	572,787.28	801,444.09	492,532.75	680,047.62
		12,912,153.18		12,502,130.61
Interest and Exchange paid or accrued	116,071.26		66,510.19	
Interest on 3% Debentures, after deducting proportionate amount of premium	601,785.83	717,857.09	——	66,510.19
Net Income before providing for Income Taxes, etc.		12,194,296.09		12,435,620.42
Appropriated for Inventory Price Decline or Other Contingencies	——		200,000.00	
Provision for Income Taxes (Federal, State and Foreign)	3,024,612.58		3,281,988.76	
Provision for Federal Excess Profits Tax	1,700,000.00	4,724,612.58	——	3,481,988.76
Net Income after providing for Income Taxes, etc.		7,469,683.51		8,953,631.66
Dividends declared on $4.50 Cumulative Preferred Stock		——		900,000.00
Balance applicable to Common Stock ($2.62 per share—1941; $2.82 per share—1940)		7,469,683.51		8,053,631.66
Balance of Earned Surplus at beginning of year		19,100,059.75		18,756,452.09
		26,569,743.26		26,810,083.75
Cash Dividends paid on Common Stock	5,707,874.00		5,707,424.00	
Premium on Redemption of Preferred Stock	——	5,707,874.00	2,002,600.00	7,710,024.00
Earned Surplus at end of year		$20,861,869.26		$19,100,059.75

Depreciation provided above on operating properties and equipment	$3,666,477.79	$3,609,077.29
Depletion provided above	6,137.30	14,040.13
	$3,672,615.09	$3,623,117.42

The balance applicable to common stock for the year 1941 includes $364,439.09 in respect of subsidiaries in Canada and Cuba; the corresponding figure for 1940 was $176,820.62. In 1941 and 1940 foreign currency items in the profit and loss accounts of the Canadian and Cuban subsidiaries were converted at approximately the average exchange rates for the respective years.

J. S. SNELHAM, *Vice-President and Comptroller.*

LOOMIS, SUFFERN & FERNALD

CERTIFIED PUBLIC ACCOUNTANTS

80 Broad Street, New York

March 9, 1942.

Kennecott Copper Corporation:

We have made an examination of the Consolidated Balance Sheet of Kennecott Copper Corporation and its subsidiaries at December 31, 1941 and the related Consolidated Statements of Income, Earned Surplus and Capital Surplus accounts for the year 1941.

We have examined or tested the accounting records of these corporations and other supporting evidence, or, in the case of certain subsidiaries of relatively minor importance, have received and reviewed the reports of other independent public accountants. Such examination has included review of records and accounts at all the major mining or other properties and plants in this country and in South America; confirmation of cash and securities; and confirmation or tests of inventories and accounts receivable to the extent we deemed appropriate. Information and explanations where necessary for audit purposes have been obtained from officers and employes of the corporations. We have made a general review of the accounting methods and of the operating and income accounts for the year but we did not make a detailed audit of all transactions. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The change in method of accounting for costs of molybdenite and copper production for the domestic properties, referred to in Note 2 to the Consolidated Income Account, makes no appreciable difference in consolidated net income for the year, although the adjustment of inventories at the beginning of the year resulted in a credit of $1,524,606.61 to Earned Surplus. We have concurred in this change in accounting basis.

In our opinion, based upon our examination as outlined above, the accompanying Consolidated Balance Sheet of Kennecott Copper Corporation and its subsidiaries and related Consolidated Statements of Income, Earned Surplus and Capital Surplus accounts, together with the Notes relating thereto, present fairly the consolidated position of these corporations at December 31, 1941 and the result of their operations for the year ended on that date, in conformity with generally accepted accounting principles appropriately applied to the respective mining, manufacturing, transportation and other enterprises included in the consolidated statements, and on a basis consistent with that of the preceding year.

Loomis, Suffern & Fernald,
Certified Public Accountants.

Accountants' Certificate

National Bearing Metals Corporation:

We have examined the balance sheet of National Bearing Metals Corporation as of December 31, 1941, and the related statement of income and earned surplus for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying balance sheet and statement of income and earned surplus fairly present the financial condition of the Company at December 31, 1941, and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

Saint Louis,
February 5, 1942.

CERTIFICATE OF AUDITORS

United States Smelting Refining and Mining Company,
Boston, Massachusetts.

We have examined the consolidated balance sheet of United States Smelting Refining and Mining Company and subsidiary companies as at December 31, 1941 and the summaries of consolidated profit and loss and of earned surplus for the year 1941, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In accordance with the plan of accounting previously followed by the companies and as explained on page 9, profits in the net amount of $370,291.43 due to increase in price of metals during 1941 were credited to contingent reserve for metal price fluctuations, and inventories of unsold metals have been valued consistently at market prices prevailing at time of production or at the end of the year, whichever are lower.

In our opinion, subject to the remarks above, the accompanying consolidated balance sheet and the summaries of consolidated profit and loss and of earned surplus on pages 5 and 6 present fairly the consolidated position of United States Smelting Refining and Mining Company and subsidiary companies as at December 31, 1941 and the consolidated results of operations of these companies for the year 1941, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY.

Boston, Massachusetts.
March 19, 1942.

TOUCHE, NIVEN & CO.
Certified Public Accountants
Eighty Maiden Lane
New York

February 9, 1942

To the Board of Directors
of Underwood Elliott Fisher Company:

We have examined the consolidated balance sheet of Underwood Elliott Fisher Company and those subsidiaries consolidated therein as of December 31, 1941, and the consolidated statements of income, surplus and reserves for contingencies and future expenditures for the year 1941; we have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, we have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. We have also made similar examinations of the corresponding financial statements of those non-consolidated subsidiary companies the investments in which have been adjusted to agree with the Company's equity therein for their fiscal year ended November 30, 1941. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and statements of income, surplus and reserves for contingencies and future expenditures, present fairly the combined position at December 31, 1941 of Underwood Elliott Fisher Company and its subsidiary companies and the results of their operations for the year, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year except for the change of taking into income, in respect of non-consolidated subsidiaries, only cash dividends received, as explained in the footnotes to the statement of income.

TOUCHE, NIVEN & CO.

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS
1 CEDAR STREET
NEW YORK

To the Board of Directors,

CONTINENTAL OIL COMPANY:

We have examined the consolidated balance sheet of CONTINENTAL OIL COMPANY AND SUBSIDIARY COMPANIES at December 31, 1941, and the consolidated statements of income and earned surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The valuation of inventories, the basis of which is explained in Note 1, contains an element of anticipated profit. While this basis of valuation does not follow the general practice of valuing inventories at the lower of cost or market, in that it does not exclude said anticipated profit, it is a generally accepted practice of valuation in the oil industry, to which we take no exception.

In our opinion, subject to the comments in the preceding paragraph, the accompanying consolidated balance sheet and related consolidated statements of income and earned surplus, together with the notes relating thereto, present fairly the consolidated position of Continental Oil Company and Subsidiary Companies at December 31, 1941, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the changes in valuing refined products and in the treatment of the investment in Texon Oil & Land Company, as set forth in Notes 1 and 2, which changes we approve.

(Signed) ARTHUR YOUNG & COMPANY.

New York, N. Y.
March 18, 1942.

SOCONY-VACUUM OIL COMPANY, INC

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 1941

ASSETS

CURRENT ASSETS:		
Cash in banks and on hand		$ 47,587,309.02
United States Treasury Tax Notes—at cost		21,467,800.00
Marketable securities—at amortized cost (market value $44,115,703.61)		44,231,139.98
Accounts and notes receivable, less reserve of $1,200,000		52,990,964.17
Inventories—		
Crude oil, refined products and miscellaneous merchandise—at cost (lower than aggregate market) (Note 5)	$104,988,753.49	
Materials and supplies—at or below cost	14,847,284.11	119,836,037.60
Total current assets		$286,113,250.77
INVESTMENTS AND ADVANCES:		
Foreign (Note 4)—		
Subsidiaries and branches not consolidated (Note 2)	$ 44,535,643.91	
Standard-Vacuum Oil Company (50% owned) at cost (Note 3) less indebtedness of $9,660,497.01	77,747,111.76	
Miscellaneous (including other 50% owned companies) at cost, less reserve of $24,739,938.69	25,009,820.83	
Total foreign	$147,292,576.50	
Domestic—at cost, less reserve of $1,341,987.77	15,182,410.59	162,474,987.09
FIXED ASSETS:		
Real estate, producing properties, pipe lines, refineries, vessels, distributing stations, etc.—at cost	$981,146,821.74	
Less: Reserves for depletion, depreciation and amortization	509,406,236.30	471,740,585.44
PREPAID AND DEFERRED CHARGES:		
Prepaid royalties, taxes, rents, etc.	$ 5,191,042.56	
Unamortized debenture discount and expense	1,060,045.17	
Other deferred items	1,320,384.57	7,571,472.30
TOTAL ASSETS		$927,900,295.60

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LIABILITIES AND CAPITAL

CURRENT LIABILITIES:		
Accounts payable (including accrued liabilities)		$ 38,631,647.14
Taxes payable (including income taxes—Note 6)		30,098,968.77
Purchase obligations—maturing in 1942		494,486.98
Total current liabilities		$ 69,225,102.89
FUNDED AND LONG TERM DEBT:		
Eighteen-year 2⅞% Sinking Fund Debentures (due July 1, 1955)	$ 75,000,000.00	
Twenty-five-year 3% Sinking Fund Debentures (due July 1, 1964)	50,000,000.00	
Purchase obligations—maturing after 1942	1,383,579.80	126,383,579.80
DEFERRED CREDITS:		
Unamortized debenture premium less expense	$ 1,457,163.12	
Other	249,978.67	1,707,141.79
RESERVES:		
For contingencies (affecting foreign assets—Note 1)	$ 82,425,664.73	
For insurance	16,892,593.52	
For future reduction in inventory values	2,500,000.00	101,818,258.25
MINORITY INTEREST IN SUBSIDIARY COMPANIES:		
Capital stock	$ 1,652,743.74	
Surplus	603,860.50	2,256,604.24
CAPITAL STOCK:		
Authorized—40,000,000 shares—par value $15 each		
Outstanding—31,708,452 shares	$475,626,780.00	
SURPLUS—see Statement of Surplus on page 11:		
Capital surplus	$106,694,225.50	
Earned surplus	48,755,627.90	
	$155,449,853.40	
Total capital stock and surplus	$631,076,633.40	
Less: In treasury 530,111 shares at cost	4,567,024.77	626,509,608.63
CONTINGENT LIABILITIES (Note 7)		
TOTAL LIABILITIES AND CAPITAL		$927,900,295.60

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CONSOLIDATED INCOME ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 1941

GROSS OPERATING INCOME		$535,140,583.28
OPERATING CHARGES:		
Cost of sales	$277,937,575.51	
Selling, general and administrative expenses	85,073,514.29	
Payments to Metropolitan Life Insurance Company under contract for funding past service annuity obligations, less dividends (Note 8)	1,768,752.40	
Taxes (see summary on page 11)	75,497,309.18	440,277,151.38
OPERATING INCOME BEFORE RESERVES, ETC.		$ 94,863,431.90
AMORTIZATION OF INTANGIBLE DEVELOPMENT COSTS CAPITALIZED AFTER DECEMBER 31, 1935 (Note 9)	$ 6,247,526.39	
DEPLETION, LEASE AMORTIZATION AND ABANDONMENTS	8,231,403.50	
DEPRECIATION, RETIREMENTS AND OTHER AMORTIZATION	38,581,233.71	53,060,163.60
NET OPERATING INCOME		$ 41,803,268.30
NON-OPERATING INCOME:		
Dividends	$ 289,739.53	
Interest	690,551.10	
Miscellaneous	664,507.41	1,644,798.04
INCOME BEFORE INTEREST CHARGES, ETC.		$ 43,448,066.34
INTEREST AND OTHER INCOME DEDUCTIONS:		
Interest and discount on funded debt	$ 3,688,030.44	
Other interest	434,397.14	
Provision for future reduction in inventory values (Note 5)	2,500,000.00	
Income applicable to minority interests	389,995.10	
Miscellaneous	344,387.60	7,356,810.28
NET INCOME FROM DOMESTIC OPERATIONS, EXPORTS AND FOREIGN SHIPPING		$ 36,091,256.06
INCOME (LESS LOSSES) FROM FOREIGN INVESTMENTS (Notes 2 and 3):		
Dividends from Standard-Vacuum Oil Company (50% owned) and from foreign subsidiaries and income from foreign branches	$ 20,328,006.87	
Less:		
Provision for losses of foreign subsidiaries and branches	$ 12,696,422.20	
Provision for losses on other foreign investments	546,938.69	
	$ 13,243,360.89	7,084,645.98
NET INCOME (Notes 1, 2 and 3)		$ 43,175,902.04

CONSOLIDATED STATEMENT OF SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1941

CAPITAL SURPLUS:		
Balance, December 31, 1940 and 1941		$106,694,225.50
EARNED SURPLUS:		
Balance, December 31, 1940		$ 71,626,386.65
Net income for year		43,175,902.04
		$114,802,288.69
Less:		
Dividends paid during year	$15,589,170.50	
Undistributed earnings of foreign subsidiaries to date removed from consolidation	457,490.29	
Additional reserve for contingencies (affecting foreign assets) (Note 1)	50,000,000.00	66,046,660.79
Balance, December 31, 1941		$ 48,755,627.90

SUMMARY OF TAXES PAID OR ACCRUED

TAXES INCLUDED IN INCOME ACCOUNT:	
Federal and State income taxes	$ 20,513,923.70
Federal excise taxes	38,201,911.92
Property and miscellaneous	16,781,473.56
	$ 75,497,309.18
GASOLINE TAXES COLLECTED FOR STATES	80,736,740.16
TOTAL TAXES PAID OR ACCRUED	$156,234,049.34

NOTES AFFECTING CONSOLIDATED BALANCE SHEET, INCOME ACCOUNT AND STATEMENT OF SURPLUS

NOTE 1:

The net income as shown for the year 1941 is before provision of $50,000,000.00 for contingencies (affecting foreign assets) charged to earned surplus and before write-offs detailed below amounting to $26,574,335.27 made against the reserve for contingencies set up out of earned surplus.

The changes in reserve for contingencies (affecting foreign assets) during the year were as follows:

Balance, December 31, 1940	$ 75,000,000.00
Less: Portion thereof provided for investment in Colombian Petroleum Company and South American Gulf Oil Company now transferred to specific reserve for these 50% owned companies	16,000,000.00
Remaining balance at December 31, 1940	$ 59,000,000.00
Add: Provision from earned surplus	50,000,000.00
	$109,000,000.00
Less: Write-off of investments in and advances to subsidiaries and other companies located in countries which are at war with the United States and accounts receivable due from customers in such countries; also investments in branches in enemy dominated countries	26,574,335.27
Balance, December 31, 1941	$ 82,425,664.73

NOTE 2:

The Company has followed the same basis of consolidation in 1941 as it did in 1940, viz., all domestic subsidiaries have been included in consolidation and all foreign subsidiaries and branches have been excluded. The Company has charged to income a provision of $12,696,422.20 for estimated diminution during the year of the investments in foreign subsidiaries and branches arising from operating losses and from war conditions (a part of which is not likely to be a recurring charge). Dividends from subsidiaries and profits of branches have been included in income only to the extent actually received out of estimated earnings since dates removed from consolidation.

The Company's investments in and advances to foreign subsidiaries and branches (except those in foreign countries fully written off as explained in Note 1) are stated at December 31, 1941 at an amount based on the net assets as included in the consolidated balance sheet at the date removed from consolidation less undistributed earnings at that date and all specific reserves applicable thereto.

NOTE 3:

The investment in the stock of Standard-Vacuum Oil Company, which operates in foreign countries principally in the Far East, is stated at cost (less depreciation) of the assets turned over to Standard-Vacuum Oil Company in 1933 in return for 50% of its capital stock, the remaining 50% having been issued to Standard Oil Company (N. J.) for assets it turned over.

On account of the war full information is not available as to the status of this company either at December 31, 1941 or at the date these accounts are prepared.

It is generally known that this company's property has suffered substantial loss as a result of the war but the amount of such loss and of further losses which may be suffered cannot be determined at this time. No adjustment has been made in the accounts of the Company for this situation as at December 31, 1941. The reserve for contingencies set up out of earned surplus in 1940 and 1941 is available for losses on this investment as well as on other foreign assets, when such losses are finally determined.

The dividends received from this company during 1941 represent the principal part of the foreign dividends and foreign branch income of $20,328,006.87 shown on the income statement. As the spread of hostilities in the Far East has disrupted the operations of this company for at least the period of the present war, these dividends may be non-recurring.

NOTE 4:

The Company's consolidated balance sheet includes approximately $65,000,000 in respect of all net assets in foreign countries. The estimated geographical distribution of these assets, based on latest available information, is as follows:

Far East and Australasia	$ 57,000,000
Near East	21,000,000
Europe	22,000,000
South America	23,000,000
Africa	13,000,000
Other	11,000,000
Total	$147,000,000
Less: Reserve for contingencies (affecting foreign assets)	82,000,000
Net total	$ 65,000,000

Tankers owned by domestic companies are engaged mostly in coastwise traffic and are therefore not included in the above summary.

The Company's consolidated net income includes approximately $13,000,000 in respect of income (less losses) from foreign investments, exports and foreign shipping.

The decrease since December 31, 1940 in the net assets in foreign countries after deduction of reserve for contingencies amounts to approximately $62,000,000. The main items causing this reduction were the additional reserve for contingencies of $50,000,000 and the provision for the losses of foreign subsidiaries and branches of $13,000,000.

NOTE 5:

Inventories of crude oil, refined products and miscellaneous merchandise are stated at cost, determined by the same methods as at December 31, 1940 after eliminating all inter-departmental and inter-company profit. In general cost has been determined as follows:

Crude oil—at the average cost of the inventory at the beginning of the year plus the current year's production and purchases.

Products refined by the Company and its subsidiaries—on the basis of the crude oil cost determined as above plus current average refining costs.

Purchased refined products—on the monthly average basis.

The aggregate valuation so determined is lower than aggregate market.

In order to provide for a future possible reduction in inventory values, the Company has set up a reserve of $2,500,000 out of current income.

NOTE 6:

The provision for Federal income taxes for current and prior years is believed to be adequate but the liability is subject to review and adjustment by the Treasury Department. No provision has been made for Federal excess profits tax as no liability is expected.

No provision has been made for income taxes payable by the Company on receipt of dividends out of surpluses of subsidiary companies. These taxes will be payable only if these surpluses are distributed to the parent company and may never be incurred.

NOTE 7:

Contingent liabilities—

(a) Guarantees in respect of foreign subsidiaries, branches and 50% owned companies—approximately $2,500,000 in regard to which no material losses are anticipated.

(b) There are no lawsuits pending which in the opinion of the General Counsel of the Company are likely to result in a material liability in excess of the reserves therefor. However, he states that it is conceivable although not probable that the situation resulting from the outcome of some part of the following litigation might be at variance with the foregoing opinion:

This Company has been named as a defendant along with a large number of other oil companies marketing petroleum in the Middle West in about 61 suits for treble damages under the Sherman Anti-Trust Law brought in various jurisdictions as a consequence of prosecutions conducted by the Department of Justice at Madison, Wisconsin, in 1936 and 1937. The total amount sought to be recovered from all the defendants is large but in the only case that has yet come to trial the Court rendered a judgment dismissing the action. On appeal the lower court's judgment of dismissal was affirmed. Application for certiorari to the United States Supreme Court was later denied. Subsequent thereto a motion to reconsider the petition for certiorari was likewise denied.

NOTE 8:

All expenditures for employes' pensions and death benefits have been charged against current income, including funding payments to the Metropolitan Life Insurance Company under contract providing for purchase, at retirement, of annuities accruing for services rendered prior to January 1, 1931. The funding payments up to December 31, 1941, although not sufficient to provide for the entire estimated liability on an actuarial basis which is subject to reduction for separations and other changes, are sufficient to provide for all employes who will normally retire during the next nine years.

Payments of $1,443,951.62 to retired employes under Company administered plans have also been charged against current income, it being the policy of the Company to make no provision for any future liability in respect thereof.

NOTE 9:

Effective January 1, 1936, the Company's crude oil producing subsidiaries in the United States adopted the policy of capitalizing intangible development costs incurred after that date on producing wells and amortizing them on a unit basis instead of charging them to income as expended. The intangible development costs so capitalized in 1941 were $11,286,836.64. The amortization of capitalized development costs charged against income in 1941 was $6,247,526.39, which is $215,265.71 more than the amount of amortization in 1940.

NOTE 10:

Current assets totaling $1,052,480.26 were on deposit with various states, municipalities and others as guarantees required by workmen's compensation insurance laws, etc. Miscellaneous investments totaling $1,598,101.24 were pledged as security for purchase obligations incurred therefor.

AUDITORS' CERTIFICATE

To the Board of Directors,
Socony-Vacuum Oil Company, Incorporated,
26 Broadway,
New York, N. Y.

We have made an examination of the consolidated balance sheet of SOCONY-VACUUM OIL COMPANY, INCORPORATED AND SUBSIDIARY COMPANIES at December 31, 1941 and the statements of consolidated income and surplus for the year then ended. In connection therewith we reviewed the system of internal control and the accounting procedures of the domestic companies and, without making a detailed audit of the transactions, examined or tested accounting records of such companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination of these domestic companies was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Due to war conditions, it was impossible to make any recent audit of foreign subsidiaries and branches. For foreign subsidiaries and branches in countries with which the United States is at war and enemy occupied countries no information was available. For other foreign subsidiaries and branches, we were compelled to rely to a great extent on cable advices received from the companies' officials abroad. For similar reasons it was impossible to make any recent audit of the subsidiaries and branches of Standard-Vacuum Oil Company and final information is not available as to the status of these companies either at December 31, 1941 or at the date these accounts are prepared. The aggregate amount at which the Company's entire foreign investment is carried in the consolidated balance sheet, after applying the balance in the reserve for contingencies, is approximately $65,000,000 or 10% of the total equity of the stockholders of the Company. Reference is made to Notes 2, 3 and 4 to the financial statements for further important details as to these investments.

In our opinion, subject to the limitations of our examination and possible losses now unknown, both arising from war conditions explained above, the accompanying consolidated balance sheet and related statements of consolidated income and surplus, together with the accompanying notes, present fairly the consolidated position of Socony-Vacuum Oil Company, Incorporated and Subsidiary Companies at December 31, 1941 and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

New York, N. Y.
March 9, 1942.

Consolidated Balance Sheet

DECEMBER 31, 1941

ASSETS AND OTHER DEBITS

Current Assets:			
Cash in banks and on hand		$ 44,807,456.43	
U. S. Treasury Notes, Tax Series "B" 1943		6,500,000.00	
Marketable securities, at cost (market $240,000.00)		257,500.00	
Notes and accounts receivable, trade (less reserve)		27,581,610.27	
Other notes and accounts receivable (less reserve)		1,366,778.45	
Loans to employees		11,548.21	
Inventories:			
Petroleum products, at cost which is below market:			
Crude oil	$ 3,932,270.56		
Unfinished products	7,619,253.95		
Finished products	22,628,790.88	34,180,315.39	
Other merchandise, at cost		1,304,814.86	
Materials and supplies, at or below cost		13,509,227.64	$129,519,251.25
Special Deposit			
(Assigned as security for obligations of a wholly owned foreign subsidiary, not consolidated)			1,229,400.00
Long Term Notes and Accounts Receivable (Less Reserve)			3,068,530.87
Securities of and Advances to Companies Operating in Foreign Countries (Note A):			
Wholly owned subsidiaries at book value of net assets		$ 15,668,227.58	
Associated companies (50% owned or less), at cost		25,454,920.65	41,123,148.23
Securities of and Advances to Companies Operating in the United States:			
Affiliated companies (over 50% owned), at or below cost (Note B)		$ 5,610,708.61	
Associated companies (50% owned or less), at or below cost:			
Pacific Public Service Company	$3,946,057.74		
Other companies	2,702,321.87	6,648,379.61	
Other security investments, at or below cost		1,973,102.44	14,232,190.66
Fixed Assets:			
Properties, plant and equipment, at values approved by the Directors at organization in 1926, plus subsequent additions at cost (less reserves)			455,881,836.50

Department	*Gross book value*	*Depreciation, depletion and amortization reserves*	*Net book value*
Producing	$523,131,886.93	$184,474,656.39	$338,657,230.54
Natural Gasoline	29,637,652.17	22,339,858.73	7,297,793.44
Pipe Line	36,187,480.43	23,111,772.30	13,075,708.13
Manufacturing	86,765,144.68	50,035,152.16	36,729,992.52
Marine	30,354,302.87	23,309,652.41	7,044,650.46
Sales	58,710,584.17	22,970,449.25	35,740,134.92
Motor Transport	5,758,934.29	2,463,567.80	3,295,366.49
Other	18,124,768.59	4,083,808.59	14,040,960.00
Total	$788,670,754.13	$332,788,917.63	$455,881,836.50

Prepaid and Deferred Charges:		
Prepaid royalties	$ 1,317,054.82	
Prepaid taxes	2,646,068.39	
Other prepaid and deferred charges	2,333,473.68	6,296,596.89
		$651,350,954.40

Consolidated Balance Sheet

DECEMBER 31, 1941

LIABILITIES, CAPITAL AND SURPLUS

Current Liabilities:			
Accounts payable, etc., general		$ 13,897,804.54	
Accrued interest on funded debt		392,884.02	
State motor fuel taxes payable		2,210,514.86	
Federal excise taxes payable		957,437.59	
Federal income tax for 1941 (estimated) (Note C)		4,800,000.00	
Other accrued taxes payable		3,505,473.36	$ 25,764,114.37
Deferred Credits			166,859.13
Unfunded Vested Liability under the Company's Annuity Plan (estimated) (Note D)			4,658,000.00
Funded Debt:			
Serial notes, due in equal annual amounts from August 1, 1946 to 1955, inclusive		$ 15,000,000.00	
2¾% Debentures, due August 1, 1966		25,000,000.00	40,000,000.00
Reserves:			
General insurance reserve		$ 14,063,298.62	
Reserve for employees' benefits		2,060,000.00	
Reserve for contingencies, prior years' Federal income taxes, etc. (Note C)		8,202,597.05	24,325,895.67
Capital Stock and Surplus:			
Capital Stock (Note E):			
Authorized—15,000,000 shares, no par value			
Issued—13,003,953 shares, stated value $25.00 per share		$325,098,825.00	
Surplus (per statement attached):			
Capital surplus	$166,679,359.40		
Earned surplus (of this sum $28,614,820.18 was carried forward from predecessor company)	64,657,900.83	231,337,260.23	556,436,085.23
			$651,350,954.40

Notes:

A—Current and working assets and current liabilities of wholly owned subsidiary companies operating in foreign countries have been converted into United States dollars at rates of exchange in effect at the close of the year, and investments and fixed assets at rates in effect when acquired; depreciation has been calculated on the United States dollar cost of the properties. Profits and losses have been converted at average rates of exchange during the year, and, together with the unrealized profits or losses resulting from the conversion of assets and liabilities as described above, are included in the statement of earnings.

The investment in wholly owned subsidiaries whose properties were seized in 1938 under the Mexican expropriation decree has been written down to $3,824,189.07. Properties of certain other subsidiary and associated companies are located in areas occupied by Japanese forces subsequent to December 31, 1941. (See pages 6, 7 and 15 of the report of the President for further information relative to these and other investments in foreign countries.)

B—Equities in unconsolidated affiliated companies have increased since acquisition in the net amount of $607,980.06.

C—The amount of additional liability for Federal income taxes, which may result from the final interpretation of Federal income tax laws and regulations, is not presently determinable; officials of the Company estimate that the accruals and reserve provided should be sufficient to meet such contingencies.

No provision has been made for income taxes which may be payable on distribution of profits of those wholly owned subsidiaries whose profits are consolidated or otherwise included in the consolidated statements of earnings and surplus.

D—The liability as at December 31, 1941, according to actuarial estimates, for life annuities in respect of which the payments to annuitants are currently being made by the Company, amounted to approximately $7,882,000.00. In addition thereto, the estimated liability for annuities vested in employees who at that date had attained 25 years or more of credited service, amounted to approximately $9,873,000.00. The foregoing amounts represent only the legal liabilities under the Annuity Plan (for which provisions have been made) and not potential liabilities in respect of employees who have not attained 25 years of credited service, as the latter's Company benefits under the Plan may be modified or completely terminated.

The unapplied balance of the fund contributed by the Company, plus interest, held by the insurance company in connection with the Annuity Plan was approximately $13,097,000.00, which is available for the purchase of annuities in accordance with the provisions of the contract with the insurance company. Provision for the estimated unfunded vested liability under the Plan, $4,658,000.00, has been made from earned surplus.

E—The stockholders on May 1, 1941, authorized a reduction of the capital of the Company by the retirement and cancellation of 98,947 shares held by wholly owned subsidiary companies. The cost of the shares has been applied against capital and surplus as follows:

Capital stock issued	$2,473,675.00
Capital surplus	1,268,262.08
Earned surplus	287,758.28
	$4,029,695.36

F—Contingent liabilities in respect of discounted or guaranteed notes approximated $970,000.00 at December 31, 1941.

Consolidated Statement of Earnings

YEAR ENDED DECEMBER 31, 1941

Gross Operating Income:		
Sales of products and merchandise and revenues from other operations (after deducting State sales and motor fuel taxes and Federal gasoline and lubricating oil taxes in the sum of $40,501,908.30)		$205,011,453.38
Operating Charges:		
Cost of products and merchandise sold and other operating costs, including selling, general and administrative expenses (exclusive of items shown separately below)	$135,153,371.25	
General taxes (exclusive of State sales and motor fuel taxes and Federal gasoline and lubricating oil taxes treated as a reduction of gross operating income, and Federal income taxes)	8,879,726.08	144,033,097.33
		$ 60,978,356.05
Provision for Depreciation, Depletion and Amortization	$ 19,556,576.54	
Prospect Development Costs, Exploration Expenses, and Excess of Cost of Properties Abandoned over Depreciation and Depletion Reserves Provided Therefor	5,331,720.82	24,888,297.36
		$ 36,090,058.69
Other Income:		
Dividends from affiliated companies (Note A)	$ 783,116.80	
Other dividends	472,890.54	
Interest and exchange (net)	371,491.93	
Rents	321,531.20	
Profits (net) of wholly owned subsidiary companies operating in foreign countries (See Note A to Balance Sheet)	2,058,294.35	
Miscellaneous	109,925.66	4,117,250.48
		$ 40,207,309.17
Other Deductions:		
Amortization of security investment in an oil producing company	$ 93,559.18	
Interest on long term notes payable	391,180.54	
Interest on funded debt	337,511.10	
Funded debt discount and expense	167,415.91	
Miscellaneous	262,308.75	1,251,975.48
		$ 38,955,333.69
Provisions for Federal Income Tax and Contingencies Relating Thereto		6,000,000.00
Profit for the Year (Equal to $2.53 per share of issued Capital Stock)		$ 32,955,333.69
Write Down of Investments in Certain Subsidiary and Associated Companies Operating in Foreign Countries		3,045,912.59
Balance Carried to Surplus (Equal to $2.30 per share of issued Capital Stock)		$ 29,909,421.10

Notes:

A—The Company's proportionate interest in the profits of unconsolidated affiliated companies exceeded the dividends received from such companies by $385,189.32.

B—The Company's interest in the estimated profits (net) of those associated companies, the securities of which are owned 50% by the Company and, in each case, 50% by another single interest, amounted to $2,775,622.12; no dividends were received from such companies during the year. (Includes The Bahrein Petroleum Company Limited and California Arabian Standard Oil Company; see page 6 of the report of the President.)

C—In December, 1941, the Company paid $3,000,000.00 to The Prudential Insurance Company of America toward funding its obligations under the Annuity Plan for employees of the Company and its participating subsidiary companies, and during the year made other disbursements of $964,736.23 in connection with the Plan. The $3,000,000.00 was charged to earned surplus and $964,736.23 was charged against earnings for the year. Based upon actuarial computations, which give effect to the estimated Federal Primary Insurance benefits, as related to the Company's Plan, it is estimated that the amount charged against earnings in 1941 exceeded the potential charges accruing under the Plan for services of active employees during the year.

Consolidated Statement of Surplus

YEAR ENDED DECEMBER 31, 1941

Surplus at Beginning of Year:			
Capital surplus		$167,947,621.48	
Earned surplus		62,200,167.51	$230,147,788.99
Adjustments—Charges:			
Capital surplus:			
Retirement of 98,947 shares of capital stock. (See Note E to Balance Sheet)		$ 1,268,262.08	
Earned surplus:			
Retirement of 98,947 shares of capital stock. (See Note E to Balance Sheet)		$ 287,758.28	
Provision in connection with the Annuity Plan for employees of the Company and its participating subsidiary companies (See Note C to Statement of Earnings and Note D to Balance Sheet):			
Payment to The Prudential Insurance Company of America toward funding the Company's obligations under the Plan	$3,000,000.00		
Estimated unfunded vested liability at December 31, 1941	4,658,000.00	7,658,000.00	
		$ 7,945,758.28	9,214,020.36
			$220,933,768.63
Balance Carried Forward from Statement of Earnings			29,909,421.10
			$250,843,189.73
Dividends ($1.50 per share in cash)		$ 19,530,666.25	
Less: Dividends on shares held by subsidiary companies to May 13, 1941		24,736.75	19,505,929.50
Surplus at End of Year:			
Capital surplus		$166,679,359.40	
Earned surplus (See note on Balance Sheet)		64,657,900.83	$231,337,260.23

Report of Independent Public Accountants

TO THE BOARD OF DIRECTORS OF STANDARD OIL COMPANY OF CALIFORNIA:

We have examined the consolidated balance sheet of Standard Oil Company of California and wholly owned subsidiary companies operating in the United States as at December 31, 1941, and the consolidated statements of earnings and surplus for the year 1941, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The provision for depreciation and depletion of producing properties, arrived at by the companies' methods, is substantially equal to an amount calculated on a combined property basis along the lines of the more generally adopted unit of production method.

We are not in a position to express an opinion as to final settlement of Federal income taxes, the outcome of expropriation of properties in Mexico, or the ultimate effect of the war on the companies' investments in foreign countries; these matters are referred to in balance sheet Notes A and C. Otherwise, in our opinion, the accompanying consolidated balance sheet and related statements of earnings and surplus, together with the notes appearing thereon, present fairly the position of the combined companies at December 31, 1941, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

San Francisco, California,
April 7, 1942.

PRICE, WATERHOUSE & CO.

56 PINE STREET
NEW YORK, MAY 4, 1942

To the Stockholders of
Standard Oil Company (New Jersey):

We have examined the balance sheet of Standard Oil Company (New Jersey), Parent Company, and the consolidated balance sheet of Standard Oil Company (New Jersey) and its subsidiary companies as at December 31, 1941 and the related statements of income and surplus for the year 1941. With the exception of one foreign subsidiary company which was examined by other independent public accountants, its total assets being less than 1% of the total consolidated assets, we have reviewed the system of accounting control and procedures of the companies consolidated and, without making a detailed audit of the transactions, have examined or tested accounting records of such companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We have not made any examination of the financial statements and accounting records of the subsidiary companies in Continental Europe, Great Britain and North Africa.

Certain changes, which we approve (as indicated in Note 1 to the consolidated financial statements), have been made in the consolidation and accounting procedures of the companies. Had these changes not been made, the consolidated net profit for the year 1941 would have been approximately $19,200,000 more and the net profit of Standard Oil Company (New Jersey), Parent Company, would have been some $2,400,000 less.

In our opinion, except for the fact that intercompany profits have not been excluded from inventories, the accompanying balance sheets of Standard Oil Company (New Jersey), Parent Company, and of Standard Oil Company (New Jersey) and its subsidiary companies consolidated and the related statements of income and surplus and the notes thereto, together present fairly the position as at December 31, 1941, and the results of operations for the year, in conformity with generally accepted accounting principles applied by the companies on a basis consistent (except for the changes referred to in the previous paragraph) with that of the preceding year.

PRICE, WATERHOUSE & CO.

Auditors' Report

To the Board of Directors,
The Texas Company:

We have examined the consolidated balance sheet of The Texas Company (a Delaware corporation) and subsidiary companies (excluding European subsidiaries) as of December 31, 1941, and the statements of consolidated income and surplus for the year ended that date, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and it included all procedures which we considered necessary.

Inventory records and procedures were reviewed and the methods followed by the Company and its subsidiaries in taking physical inventories were approved by us. Quantities reported were test-checked to supporting data, including physical inspection reports submitted by employes in charge of refineries, terminals, bulk stations, etc., and at various dates during the year at representative locations we observed the gauging of tanks and made test-counts of material and supplies and other selected items. Clerical accuracy was checked and we satisfied ourselves that inventories were priced at cost determined on the first-in, first-out method, which, in the aggregate, was lower than market.

In our opinion the accompanying consolidated balance sheet and related statements of consolidated income and surplus present fairly the financial position of The Texas Company and subsidiary companies (excluding European subsidiaries) at December 31, 1941, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles maintained by the companies on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.,
Accountants and Auditors.

NEW YORK, N. Y.,
MARCH 17, 1942.

PRICE, WATERHOUSE & CO.

56 PINE STREET

New York, April 7, 1942

To the Stockholders of
Tide Water Associated Oil Company

We have examined the consolidated balance sheet of Tide Water Associated Oil Company and subsidiary companies as at December 31, 1941, and the consolidated statement of income and surplus for the year 1941. We have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We also made similar examinations of the accounting records of certain of the affiliated companies not consolidated, and accounts prepared by the companies were produced to us for the remainder.

In our opinion, the accompanying consolidated balance sheet and related statement of income and surplus present fairly the position of Tide Water Associated Oil Company and subsidiary companies as at December 31, 1941, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

Auditor's Certificate

The Board of Directors, American Colortype Company, Allwood, Clifton, New Jersey.

We have examined the consolidated balance sheet of American Colortype Company of New Jersey and its wholly-owned domestic subsidiary companies as at December 31, 1941 and the consolidated statements of income and surplus for the year 1941, have reviewed the system of internal control and the accounting procedures of the company and its domestic subsidiaries and, without making a detailed audit of the transactions, have examined or tested accounting records of these companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Our examination included tests of accounts receivable by direct correspondence with debtors and tests by count of the inventories and a review of the adequacy of the company's check and control of book inventories and of the procedures followed in the taking of the physical inventories.

In our opinion the accompanying consolidated balance sheet and related statements of consolidated income and surplus fairly present the consolidated financial position of American Colortype Company of New Jersey at December 31, 1941 and the results of its operations for the year ended that date in conformity with generally accepted principles of accounting applied on a basis consistent with that of the preceding year.

BOYCE, HUGHES & FARRELL,
Certified Public Accountants.

New York, N. Y., February 2, 1942.

CONTAINER CORPORATION OF AMERICA

CONSOLIDATED BALANCE SHEET

ASSETS

Current Assets:			
Cash in banks and on hand			$ 1,249,664.87
Accounts and notes receivable from customers		$ 3,097,754.24	
Less—Reserve for doubtful receivables		147,492.60	2,950,261.64
Note receivable due in 1942			125,000.00
Other current receivables			33,618.36
Inventories of finished goods, work in process, raw materials and supplies—priced at the lower of cost or market			4,340,711.92
Total current assets			$ 8,699,256.79
Other Receivables and Investments:			
Notes receivable (secured by property sold) due in 1943		$ 250,000.00	
Other receivables and investments, at cost		117,663.63	367,663.63
Plant and Equipment—stated at amounts (based in part on appraisals) recorded at dates of acquisition of properties (including properties acquired for capital stock), plus additions since at cost, less reserves for depreciation:			
Land		$ 3,599,118.22	
Buildings	$ 7,292,268.34		
Machinery, equipment, etc.	14,240,144.68		
Leasehold and leasehold improvements	4,331,611.69		
	$25,864,024.71		
Less—Reserves for depreciation	11,952,713.79	13,911,310.92	17,510,429.14
Deferred Charges:			
Prepaid insurance		$ 181,973.59	
Other prepaid expenses, etc.		45,177.48	227,151.07
Goodwill and Patents—at nominal value			1.00
			$26,804,501.63

AND SUBSIDIARY COMPANIES

—DECEMBER 31, 1941

LIABILITIES

Current Liabilities:		
Accounts payable		$ 1,321,395.74
Accrued liabilities—		
Salaries, wages and profit-sharing provision	$ 613,617.34	
Taxes, other than income taxes	456,956.75	
Other	47,895.83	$ 1,118,469.92
Provision for Federal income taxes	$ 4,564,789.79	
Less—U. S. Treasury notes—tax series—to be applied in payment thereof	4,204,720.00	360,069.79
Total current liabilities		$ 2,799,935.45
Term Bank Loan maturing $600,000 per year in equal monthly installments from January 15, 1943 to June 15, 1945, and $1,400,000 on June 15, 1945, with interest at rates varying from 2% to 2½% per annum		2,900,000.00
Capital Stock and Surplus:		
Capital stock—		
Authorized 1,000,000 shares of $20 par value each		
Outstanding 781,253 shares	$15,625,060.00	
Paid-in surplus (no change during year)	671,494.30	
Earned surplus, restricted under bank loan agreement to the extent of $2,500,000 with respect to payment of dividends (see accompanying summary)	4,808,011.88	21,104,566.18
		$26,804,501.63

CONTAINER CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

SUMMARIES OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1941

CONSOLIDATED PROFIT AND LOSS

Net Sales		$46,714,220.76
Cost of Sales (exclusive of depreciation)	$35,548,266.79	
Provision for Depreciation (including $12,099.21 of depletion)	1,307,974.68	36,856,241.47
Gross profit from operations		$ 9,857,979.29
Selling, Administrative and General Expenses		2,953,586.77
Net profit from operations		$ 6,904,392.52
Deduct:		
Loss on capital assets retired or reduced to estimated realizable values	$ 235,920.55	
Provision for doubtful receivables, less recoveries	45,595.61	
Interest on term bank loans, etc.	92,536.82	
	$ 374,052.98	
Less—Purchase discounts, interest earned, etc.	211,837.85	162,215.13
Net profit before Federal income taxes		$ 6,742,177.39
Provision for:		
Federal income taxes	$ 1,187,000.00	
Federal excess profits taxes	3,228,000.00	4,415,000.00
Net profit carried to earned surplus		$ 2,327,177.39

EARNED SURPLUS

Balance December 31, 1940	$ 3,652,713.99
Add—Net profit for year, as above	2,327,177.39
	$ 5,979,891.38
Deduct—Cash dividends paid ($1.50 per share)	1,171,879.50
Balance at December 31, 1941	$ 4,808,011.88

NOTE: Earned surplus is restricted under the bank loan agreement to the extent of $2,500,000 with respect to payment of dividends.

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO

To the Stockholders of

Container Corporation of America:

We have examined the consolidated balance sheet of CONTAINER CORPORATION OF AMERICA (a Delaware corporation) and subsidiaries as of December 31, 1941, and the summaries of consolidated profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related summaries of consolidated profit and loss and surplus present fairly the position of the companies at December 31, 1941, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

Chicag-, Illinois,
February 2, 1942.

PRICE, WATERHOUSE & CO.

56 Pine Street
New York

February 24, 1942

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
INTERCHEMICAL CORPORATION

We have examined the consolidated balance sheet of Interchemical Corporation and wholly owned subsidiary companies as of December 31, 1941, and the consolidated statements of profit and loss and earned surplus and capital surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and earned surplus and capital surplus together with the accompanying notes, present fairly the consolidated position of Interchemical Corporation and wholly owned subsidiary companies at December 31, 1941, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

AUDITORS' REPORT

To the Board of Directors,
International Paper Company:

We have made an examination of the consolidated balance sheet of International Paper Company, a New York corporation, and subsidiary companies as at December 31, 1941, and of the statements of consolidated profit and loss and surplus accounts for the year ended that date. In connection therewith, we have reviewed the system of internal control and the accounting procedures of the Company and its domestic consolidated subsidiaries (except two transportation companies) and, without making a detailed audit of the transactions, have examined or tested accounting records of such companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. Other independent auditors have certified the financial statements of the foreign subsidiaries and the two domestic subsidiaries whose accounts were not examined by us, and the financial statements of such subsidiaries have been incorporated in the accompanying consolidated financial statements on the basis of the statements so certified.

During 1941, the Company continued the policy, adopted as of July 1, 1940, of making special provisions for obsolescence of certain of its older mills at the rate of $200,000 per month. Such provisions, aggregating $2,400,000 in 1941, as compared with $1,200,000 in 1940, were charged to profit and loss. As indicated in Note 9 to the financial statements, the domestic companies adopted, effective January 1, 1941, the policy of providing for depreciation of plant and equipment in amounts equivalent to the deductions for depreciation taken for income tax purposes. As a result of this change, the provision for depreciation in 1941 was approximately $1,240,000 more than if the companies had followed the method used in 1940. Otherwise, the accounting principles followed by the companies in 1941 were applied on a basis consistent with that of the preceding year.

In our opinion, based upon our examination and upon the certificates of the other independent auditors referred to above, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and surplus accounts, together with the accompanying schedules and explanatory notations forming a part thereof, fairly present the consolidated financial position of the companies at December 31, 1941, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles.

New York, N. Y. — Arthur Andersen & Co.

April 6, 1942.

To THE STOCKHOLDERS,
THE BALDWIN LOCOMOTIVE WORKS:

We have examined the consolidated balance sheet of The Baldwin Locomotive Works and its subsidiary companies as at December 31, 1941, and the consolidated statements of profit and loss, surplus and general reserve for the year then ended, have reviewed the systems of internal control and the accounting procedures of the Companies, except The Midvale Company, and without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence of the Companies examined by us, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The accounts of The Midvale Company were examined by Messrs. Arthur Young & Company, a copy of whose report we received.

In our opinion, based upon such examination and upon the report of the aforementioned accountants, the accompanying consolidated balance sheet and the related consolidated statements of profit and loss, surplus and general reserve present fairly the consolidated positions of the Companies at December 31, 1941, and the consolidated results of their operations for the year 1941, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

PHILADELPHIA, PENNA.
February 5, 1942.

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS

CABLE ADDRESS "ARTHYOUNG"

NEW YORK
CHICAGO
PITTSBURGH
KANSAS CITY
MILWAUKEE
LOS ANGELES
DALLAS
TULSA
LONDON, ENG.
PARIS, FRANCE

March 16, 1942

To the Board of Directors of
Pullman Incorporated:

We have examined the consolidated balance sheet of Pullman Incorporated (a Delaware Corporation) and subsidiary companies as of December 31, 1941 and the consolidated income and surplus accounts for the fiscal year then ended, have reviewed their systems of internal control and their accounting procedures and, without making a detailed audit of the transactions, have examined or tested their accounting records and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and includes all procedures which we considered necessary. As in 1940 the accounts of the 99.69% owned French subsidiary have not been consolidated and have not been audited by us. No reports are available with respect to earnings or financial position.

We have reviewed the methods used in determining the quantities and condition of the inventories as taken by the employes and officials responsible. We also made physical tests of the quantities. The inventories have been valued at cost except that certain repair materials therein have been billed at contract prices from the manufacturing to the carrier subsidiary, the profit therein not being significant and such materials being used currently in the carrier operations.

The "Equipment and Property" of the carrier subsidiary (The Pullman Company) are carried at values which represent the original cost to The Pullman Company of its property acquired by Pullman Incorporated, by exchange of Capital Stock, in the 1927 reorganization plus subsequent additions at cost (except that cars and equipment purchased from the manufacturing subsidiaries are included at the billed prices provided for by contracts between such subsidiaries). The "Equipment and Property" of the manufacturing subsidiaries are carried at values which represent appraisal of the property acquired under the plan of reorganization of 1927 by exchange of Capital Stock and subsequent acquisitions of properties through purchase at appraised values by issue of Capital Stock, less subsequent write-downs on said property as authorized by the Board of Directors, with subsequent additions at cost.

In our opinion, the accompanying consolidated balance sheet and related consolidated income and surplus accounts, along with the related comments and explanations made in the report to stockholders submitting these financial statements, present fairly the consolidated position of the companies at December 31, 1941 and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. We have formerly examined the financial statements for the year 1940 which are submitted for comparison with the current year.

Arthur Young & Company,
Certified Public Accountants

CONSOLIDATED BALANCE SHEET—December 31, 1941 and 1940

ASSETS

	1941	1940
	(Cents Omitted)	
Current Assets:		
Cash	$ 23,617,647	$ 42,263,473
U. S. Government Securities (1941—Market Value $8,158,838)	7,867,126	8,827,536
Other Marketable Securities, at Cost less Reserve of $75,840 (1941—Market Value $686,063)	737,276	872,808
Accounts and Notes Receivable	18,028,361	10,495,888
Equipment Trust and Other Deferred-Payment Car Accounts	8,688,998	7,911,683
Inventories, at Cost—		
Carrier Subsidiary	$ 10,466,644	$ 9,367,603
Manufacturing Subsidiaries	35,971,821	13,306,067
	$ 46,438,465	$ 22,673,671
	$105,377,876	$ 93,045,062
Advances on Munition Contracts (See contra):		
Cash on Deposit	$ 759,035	$ 7,433,804
Expended on Work in Process	6,870,287	497,566
	$ 7,629,322	$ 7,931,370
Investments:		
Investment in Affiliated Companies—		
Domestic, at Cost less Reserve of $1,999,999	$ 484,301	$ 484,301
Foreign*	536,003	547,788
Other Securities, Investments and Claims, at Cost less Reserve of $532,298	2,885,087	3,260,170
	$ 3,905,392	$ 4,292,260
Equipment and Property:		
Carrier Properties—		
Gross Investment	$257,316,783	$253,925,104
Depreciation Reserve	177,593,733	166,346,011
Net Depreciated Value	$ 79,723,049	$ 87,579,093
Manufacturing Properties—		
Gross Investment	$ 75,364,829	$ 77,374,888
Depreciation Reserve	39,305,470	38,367,042
Net Depreciated Value	$ 36,059,359	$ 39,007,845
Aggregate—		
Gross Investment	$332,681,612	$331,299,992
Depreciation Reserve	216,899,203	204,713,053
Total Net Depreciated Value	$115,782,408	$126,586,939
Deferred Charges:		
Prepaid Expenses and Deferred Charges	$ 358,164	$ 276,350
Other Assets:		
Special Deposits with Various States under Compensation Acts	$ 261,193	$ 343,930
Other Special Deposits	50,914	—
U. S. Government Securities— Held to fund Fire and Casualty Liability Reserve	376,364	377,998
Deposits in Closed Banks	25,831	47,488
	$ 714,303	$ 769,417
Total Assets	$233,767,468	$232,901,401

*Foreign subsidiary (Entreprises Industrielles Charentaises) de-consolidated in 1939 on account of war conditions in France, and investment therein included here at present carrying value.

CONSOLIDATED BALANCE SHEET—December 31, 1941 and 1940

LIABILITIES

	Shares 1941	Shares 1940	1941 (Cents Omitted)	1940 (Cents Omitted)
Current Liabilities:				
Accounts Payable and Payrolls			$ 21,209,500	$ 11,467,850
Accrued Taxes, not yet due, including Provision for Federal Income Tax			8,678,970	5,701,353
			$ 29,888,470	$ 17,169,203
Advances on Munition Contracts (See contra)			$ 7,629,322	$ 7,931,370
Reserves:				
For Employe Benefit Plans			$ 2,196,535	$ 2,205,155
For Uninsured Fire and Casualty Liability			395,391	388,681
For Experimental Cars and Installations			508,256	642,324
General Reserve			3,190,836	3,190,836
Other Reserves			87,231	83,998
			$ 6,378,252	$ 6,510,996
Deferred Credits:				
Air Conditioning Revenue Deferred			$ 7,739,763	$ 6,285,146
Other Deferred Credits			1,073,285	1,102,703
			$ 8,813,049	$ 7,387,849
Capital Stock:				
Pullman Incorporated—no par value:				
Authorized	3,875,000	3,875,000		
Unissued—				
Reserved for exchange for stock of The Pullman Company	434	438		
From shares reacquired and retired	571,669	—		
Total unissued	572,103	438		
Issued	3,302,897	3,874,562		
Reacquired (In Treasury)	—	54,368		
Outstanding— At stated value of $40 per share	3,302,897	3,820,194	$132,115,880	$152,807,760
The Pullman Company: (a subsidiary)				
Outstanding— At par value of $100 per share	59.269	61.672	5,926	6,167
			$132,121,806	$152,813,927
Surplus:				
Excess of value of property acquired by issue of shares of capital stock over the stated value of $50 per share less subsequent write-downs on said property out of this surplus as authorized by the Board of Directors, plus capital surplus arising from (1) the reduction in 1939 of $10 per share in the stated value of the capital stock of the corporation and (2) the retirement in 1941 of 571,669 shares of the capital stock of the corporation			$ 94,134,077	$ 88,443,727
Net profits earned since April 30, 1927 (date of reorganization)			101,376,204	90,702,076
			$195,510,282	$179,145,804
Deduct: Dividends paid during the period from April 30, 1927 to date			146,573,714	138,057,751
Balance, at December 31			$ 48,936,567**	$ 41,088,053
Total Liabilities			$233,767,468	$232,901,401

**Under The Business Corporation Act of Illinois $5,042,500 of the above surplus at December 31, 1941 is restricted for dividend purposes, being the cost of reacquired stock in treasury of subsidiary company.

A. F. Brevillier, Comptroller

CONSOLIDATED SURPLUS ACCOUNT

Years Ended December 31, 1941 and 1940

	1941 (Cents Omitted)		1940 (Cents Omitted)	
Balance of Surplus, as at January 1	$	$41,088,053	$	$39,593,490
Consolidated Net Income for year ended December 31	10,918,820		7,484,125	
Adjustment of overaccrual of general taxes in previous years	—		727,083	
Adjustment arising from transactions in connection with acquisition of outstanding shares of The Pullman Company	72		40	
Addition to Surplus resulting from retirement of 571,669 shares of Capital Stock approved by Stockholders at Special Meeting, August 26, 1941	5,690,278	16,609,170	—	8,211,249
		$57,697,224		$47,804,740
Less:				
Adjustment on account of disposition or abandonment of manufacturing properties	$ 244,693		$ 239,390	
Loss on final liquidation of The Pullman Trust & Savings Bank, previously carried as an investment in an affiliated company	—		234,884	
Appropriations for completion of pension trusts	—		12,084	
Addition to General Reserve	—		500,000	
Dividends declared and paid	8,515,963	8,760,656	5,730,327	6,716,686
Balance of Surplus, as at December 31		$48,936,567		$41,088,053

A. F. Brevillier, Comptroller

CONSOLIDATED INCOME ACCOUNT

For Years Ended December 31, 1941 and 1940

Earnings:	1941	1940
	(Cents Omitted)	
FROM SLEEPING AND PARLOR CAR BUSINESS—		
Gross operating revenues	$ 70,174,056	$62,274,828
Less: Contract revenue payments to railroads	3,133,468	2,131,179
	$ 67,040,587	$60,143,649
Operating expenses	$ 53,925,974	$47,084,053
Provision for depreciation	10,489,970	10,088,288
Provision for Federal Income Taxes, (Allocated portion—See Note)	891,693	727,447
	$ 65,307,638	$57,899,790
Net Operating Income	$ 1,732,949	$ 2,243,859
FROM MANUFACTURING BUSINESS—		
Net sales and operating revenues	$105,428,055	$63,097,790
Less:		
Cost of goods sold and operating expenses	$ 87,311,017	$52,139,242
Provision for depreciation	2,341,184	2,118,668
Selling and administrative expenses	2,557,419	2,322,526
Provision for Federal Income Taxes, (Allocated portion—See Note)	3,960,585	1,450,737
	$ 96,170,207	$58,031,174
Net Manufacturing Profit	$ 9,257,848	$ 5,066,615
FROM INVESTMENTS—		
Income from securities and miscellaneous income	$ 720,460	$ 712,207
Profit on land and securities sold	32,703	1,441
	$ 753,163	$ 713,648
Less: Balances in closed banks written off, interest paid, and miscellaneous income deductions	$ 98,302	$ 28,802
Administrative expenses of Pullman Inc.	410,643	246,067
Provision for Federal Income Taxes, (Allocated portion—See Note)	316,193	265,128
	$ 825,140	$ 539,998
Net Investment Income	$ *71,976**	$ 173,650
Consolidated Net Income, after Provision for Federal Income Taxes	$ 10,918,820	$ 7,484,125

Note: Total provision for Federal Income Tax on all corporations whose earnings are consolidated in this account, was $5,168,472 in 1941 and $2,443,313 in 1940. These amounts have been allocated to the earnings as distributed into the three divisions of the Consolidated Income Account. The amount allocated to "Earnings from Investments" embraces the tax imposed on inter-company dividends received by Pullman Incorporated. No excess profits tax has accrued in either of the years shown.

* Figures in *italics* denote deficit.

A. F. Brevillier, Comptroller

THE WESTINGHOUSE AIR BRAKE COM

Consolidated Balance Sheet,

ASSETS

	December 31 1941	1940
Current Assets:		
Cash	$ 8,258,155.89	$15,340,595.82
United States Government and other marketable securities—at cost less reserve—$182,896.84 (quoted market value— 1941, $11,570,045.75; 1940, $7,287,097.05)	11,514,860.53	7,316,376.91
Notes and accounts receivable, including amounts due from employees— 1941, $152,100.93; 1940, $182,633.14 (less reserves for doubtful items— 1941, $248,471.10; 1940, $315,778.58)	11,514,031.43	5,431,662.40
Accrued interest receivable	74,912.40	67,413.14
Equity in uncompleted contracts not billed	575,999.08	262,623.96
Inventories—at lower of cost or market	14,826,135.43	10,384,791.39
Total current assets	$46,764,094.76	$38,803,463.62
Notes and Accounts Receivable Not Current—Including in 1941, $1,070,277.89 due from the United States Government (less reserves for doubtful items—1941, $125,000.00; 1940, $90,000.00)	$ 4,026,466.47	$ 1,719,489.05
Investments:		
Capital stocks of European subsidiaries—1941, at nominal value; 1940, at less than the value of the equities as shown by the latest available statements of the subsidiaries	$ 1.00	$ 350,000.00
Other capital stocks, bonds, etc.—in the aggregate at less than estimated realizable value	6,082,825.57	5,110,897.59
Total investments	$ 6,082,826.57	$ 5,460,897.59
Property:		
Real estate, plant, and equipment—at net book value January 1, 1923 plus subsequent net additions at cost	$18,547,176.96	$19,633,454.69
Less reserves for depreciation	10,706,247.10	10,485,015.35
Net book value	$ 7,840,929.86	$ 9,148,439.34
Properties held for disposition—at estimated realizable value	743,704.10	743,445.28
Total property—net book value	$ 8,584,633.96	$ 9,891,884.62
Patents (at nominal value)	$ 1.00	$ 1.00
Deferred Charges (principally prepaid insurance)	$ 393,827.44	$ 953,585.17
TOTAL	$65,851,850.20	$56,829,321.05

PANY AND SUBSIDIARY COMPANIES

December 31, 1941 and 1940

LIABILITIES

	December 31 1941	1940
Current Liabilities:		
Accounts payable	$ 1,922,065.88	$ 1,253,501.88
Advance billing and other charges to customers on uncompleted contracts	1,675,934.97	864,252.30
Accrued taxes, royalties, etc	11,587,172.50	4,783,261.08
Total current liabilities	$15,185,173.35	$ 6,901,015.26
Deferred Credits To Income	$ 262,845.61	$ 70,759.57
Reserves For Contingencies, Workmen's Compensation, Etc.	$ 1,717,315.76	$ 1,679,307.54
Minority Interest In Capital Stock and Surplus of Subsidiary	$ 1,695.59	$ 1,566.55
Capital Stock And Earned Surplus:		
Capital stock—authorized, 4,000,000 shares of no par value; issued and outstanding, 3,172,110-72/100 shares at a stated value of $11.00 each—stated capital	$34,893,217.92	$34,893,217.92
Earned surplus	13,791,601.97	13,283,454.21
Total capital stock and earned surplus	$48,684,819.89	$48,176,672.13
TOTAL	$65,851,850.20	$56,829,321.05

THE WESTINGHOUSE AIR BRAKE COMPANY
AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED INCOME AND EARNED SURPLUS FOR THE YEARS ENDED DECEMBER 31, 1941 AND 1940

	Year Ended December 31 1941	1940
Gross Sales—Less discounts, returns, and allowances	$54,938,631.44	$32,513,454.19
Cost Of Sales, And Distribution, Administration, And General Expenses	39,552,640.43	24,221,660.53
Net Income From Operations	$15,385,991.01	$ 8,291,793.66
Other Income:		
Dividends and interest on investments	$ 1,325,090.44	$ 881,983.10
Royalties	391,785.23	400,350.64
Profit on sales of securities—net	* 58,949.25	150,399.93
Miscellaneous	271,018.33	161,763.65
Total	$ 1,928,944.75	$ 1,594,497.32
Gross Income	$17,314,935.76	$ 9,886,290.98
Miscellaneous Income Deductions (1941 — including loss of $783,820.04 on sale of real estate and reduction of $624,997.00 in investments in European companies)	1,621,910.40	399,709.15
Net Profit For The Year Before Provision For Federal and State Income And Profits Taxes	$15,693,025.36	$ 9,486,581.83
Provision For Federal And State Income And Profits Taxes (including $6,800,000.00 in 1941 and $1,400,000.00 in 1940 for the Federal excess profits tax)	9,634,390.85	3,894,975.82
Net Profit For The Year	$ 6,058,634.51	$ 5,591,606.01
Earned Surplus At Beginning Of Year	13,283,454.21	13,242,333.70
Earned Surplus Before Dividends	$19,342,088.72	$18,833,939.71
Cash Dividends ($1.75 per share)	5,550,486.75	5,550,485.50
Earned Surplus At End Of Year	$13,791,601.97	$13,283,454.21

*Denotes loss.

NOTE:

Provisions aggregating $817,592.62 in 1941 and $638,930.63 in 1940 for depreciation of buildings and equipment have been charged against earnings.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

FARMERS BANK BUILDING
PITTSBURGH

January 31, 1942.

ACCOUNTANTS' CERTIFICATE

THE WESTINGHOUSE AIR BRAKE COMPANY:

We have examined the consolidated balance sheet of The Westinghouse Air Brake Company and its subsidiary companies as of December 31, 1941 and the related statement of consolidated income and earned surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by test to the extent we deemed appropriate in view of the systems of internal control, except as stated in the following paragraph.

Physical inventories were taken during the year in substantiation of inventories included in the accounts at approximately $12,200,000, but no physical inventory was taken in substantiation of certain work in process included in the accounts at approximately $2,600,000, as the normal procedures in the taking of such a physical inventory would have interrupted the production of war materials. Hence our examination omitted certain customary auditing procedures with respect to such work in process. However, based upon the methods of accounting for inventories (continuous book accounts for all inventories at plants, including detailed records of raw materials and finished goods) and upon reviews of the records of movements of work in process, it appears that the amount of the inventory is conservatively stated.

In our opinion, the accompanying consolidated balance sheet and statement of income and earned surplus fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS.

Lybrand, Ross Bros. & Montgomery

CERTIFIED PUBLIC ACCOUNTANTS

NEW YORK	DETROIT	DALLAS
PHILADELPHIA	CLEVELAND	HOUSTON
CHICAGO	CINCINNATI	SAN FRANCISCO
BOSTON	ROCKFORD	LOS ANGELES
BALTIMORE	LOUISVILLE	SEATTLE
WASHINGTON	ST. LOUIS	—
PITTSBURGH	ATLANTA	LONDON

To THE BOARD OF DIRECTORS OF
ASSOCIATED DRY GOODS CORPORATION:

We have examined the consolidated balance sheet of ASSOCIATED DRY GOODS CORPORATION and its wholly owned subsidiaries and Lord & Taylor (the majority of the capital stocks of which are owned) as of January 31, 1942, and the consolidated statements of income and surplus for the fiscal year then ended (52 weeks), have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of Associated Dry Goods Corporation, its wholly owned subsidiaries and Lord & Taylor at January 31, 1942, and the consolidated results of their operations for the fiscal year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 21, 1942.

TOUCHE, NIVEN & CO.
CERTIFIED PUBLIC ACCOUNTANTS
EIGHTY MAIDEN LANE
NEW YORK

April 30, 1942

TO THE BOARD OF DIRECTORS
OF FEDERATED DEPARTMENT STORES, INC.:

We have examined the balance sheets as of January 31, 1942 and the related statements of profit and loss and surplus for the fiscal year then ended of Federated Department Stores, Inc. and of certain of its subsidiary companies — Abraham & Straus, Inc., Bloomingdale Bros., Inc., Federated Service, Inc. and Metropolitan Television, Inc. — have reviewed the systems of internal control and the accounting procedures of the companies, and without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. Messrs. Herbert F. French & Company and Messrs. Ernst & Ernst have made similar examinations of the consolidated financial statements for the same period of Wm. Filene's Sons Company and The F. and R. Lazarus and Company, respectively, the two other subsidiary companies of Federated Department Stores, Inc., the net assets of which represent approximately 53% of the consolidated net assets at January 31, 1942. From the foregoing financial statements there have been prepared the accompanying consolidated balance sheet of Federated Department Stores, Inc. and subsidiary companies as of January 31, 1942 and the consolidated statements of profit and loss and surplus for the fiscal year then ended.

Several changes in accounting policies of the subsidiary companies were made during the year ended January 31, 1942 both with respect to the use of the last-in-first-out inventory basis and other matters; these are referred to in Notes 1 and 2 to the financial statements.

Based upon the examinations made by us and upon the opinions expressed in the reports of the other accountants with respect to the financial statements of subsidiary companies not examined by us, the figures for which have been included upon the responsibility of such accountants, the accompanying consolidated balance sheet and related statements of profit and loss and surplus, in our opinion, present fairly the consolidated position of Federated Department Stores, Inc. and subsidiary companies at January 31, 1942 and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied by each of the companies on bases consistent with those of the preceding year, except for the changes, which are approved by the accountants for the companies, referred to in Notes 1 and 2 to the financial statements.

TOUCHE, NIVEN & CO.

SEARS, ROEBUCK AND CO.

EXCLUDING INSURANCE COMPANIES

ASSETS

	January 31, 1942		January 31, 1941	
Current Assets:				
Cash		$45,213,743		$17,778,864
Marketable Securities (*at market value*)		3,996,075		4,624,809
Accounts and Notes Receivable:				
Customers' Installment Accounts	$ 6,416,157		$78,686,338	
Equity in Installment Accounts Sold	14,543,910		5,144,930	
(*Includes approximately $1,800,000 maturing after one year.*)	20,960,067		83,831,268	
Employes' Accounts Receivable	754,898		582,243	
Other Notes and Accounts Receivable	13,902,152		9,214,746	
Total	35,617,117		93,628,257	
Less: *Reserve for Collection and Doubtful Accounts*	4,630,225	30,986,892	11,797,160	81,831,097
Inventories (*Mail order and factory inventories valued at average cost. Retail store inventories valued in accordance with Retail Inventory Method.*)				
Merchandise, raw materials, work in process, and finished stock at factories		175,258,396		129,212,482
TOTAL CURRENT ASSETS		255,455,106		233,447,252
Insurance Fund (U.S. Treasury Bonds)		1,500,000		1,500,000
Mortgages, and Properties Held for Resale:				
Mortgages Receivable	1,333,718		1,862,190	
Properties Held for Resale	139,215		248,293	
Total	1,472,933		2,110,483	
Less: *Reserve for Collection and Unrealized Losses*	372,871	1,100,062	354,072	1,756,411
Investments and Advances: (*at cost*)				
Securities of Other Companies	4,047,782		6,287,986	
Notes, Loans, and Advances	3,841,828		3,715,949	
Total	7,889,610		10,003,935	
Less: *Reserve for Possible Losses*	1,425,239		2,077,468	
Balance	6,464,371		7,926,467	
Insurance Companies (*100% owned*)	2,848,347	9,312,718	1,348,347	9,274,814
Deferred Charges to Future Operations:				
Catalogs in Process and Supplies	6,987,290		5,726,065	
Insurance, Rents and Other Charges	2,686,269	9,673,559	2,295,031	8,021,096
Fixed Assets: (*at cost*)				
Land		24,003,863		16,983,676
Buildings	111,829,070		90,193,013	
Furniture, Fixtures and Equipment	50,745,699		43,488,848	
Total	162,574,769		133,681,861	
Less: *Reserve for Depreciation*	78,107,062	84,467,707	65,619,133	68,062,728
Equity in Properties:				
Land and Buildings	—		19,875,535	
Less: *Mortgages*	—		5,242,875	
Balance	—		14,632,660	
Less: *Reserve for Depreciation*	—	—	4,381,107	10,251,553
Purchase Contracts—Land and Buildings (*net*)		303,158		63,082
Leasehold and Building Improvements, less amortization		982,508		1,069,545
Total Fixed Assets	(109,757,236)		(96,430,584)	
Plates, Drawings, Cuts and Goodwill— Encyclopaedia Britannica		1		1
Goodwill		1		1
		$386,798,683		$350,430,159

CONSOLIDATED BALANCE SHEET

SHOWN AS INVESTMENTS

LIABILITIES AND CAPITAL

	January 31, 1942		January 31, 1941	
Current Liabilities:				
Accounts Payable		$29,342,592		$18,223,480
Due Customers—Refunds and Unfilled Orders		10,344,716		4,888,006
Federal Income Taxes	$55,559,000		$22,500,000	
Less: *U.S. Treasury Tax Notes*	48,096,000	7,463,000	—	22,500,000
Other Accrued Taxes		10,236,595		7,973,160
Other Accruals		14,237,916		7,974,362
TOTAL CURRENT LIABILITIES		71,624,819		61,559,008
Reserves For:				
Collection of Installment Accounts Sold	15,873,060		5,522,649	
Uninsured Risks	1,500,000		1,500,000	
Other Purposes	3,002,279		2,796,869	
Contingencies	10,042,224	30,417,563	3,290,017	13,109,535
Minority Stockholders' Interest in Subsidiary Companies		1,136,714		788,666
Capital Stock—Without Par Value:	*Shares*		*Shares*	
Authorized	6,000,000		6,000,000	
Issued	5,802,146		5,794,234	
Less:				
Stock held by Trustee for sale under Employes' Stock Purchase Plan	24,647		81,702	
Issued and Outstanding	5,777,499	183,619,587	5,712,532	180,491,484
Earned Surplus—Annexed Exhibit		100,000,000		94,481,466
		$386,798,683		$350,430,159

CHARLES E. HUMM,
Comptroller

To The Stockholders and Board of Directors of
Sears, Roebuck and Co.:

We have examined the Consolidated Balance Sheet of SEARS, ROEBUCK AND CO. and subsidiary companies as of January 31, 1942, and the related Consolidated Income and Surplus Account for the year then ended. In that connection, we have accepted and included, after review, the Company's own financial statements of stores and factories, many of which were examined by us during the year under a program of periodic audits.

We have tested the quantities, prices and computations of the inventories at all mail order houses, which inventories comprise approximately 35 per cent of the total inventory value. We have also made similar tests at 30 per cent of the retail "A" stores and at 48 per cent of the warehouses. We have accepted the remaining inventories at retail stores and factories, many of which were examined by us during the year, after applying gross profit tests to establish the reasonable accuracy of the inventories at those units. The inventory values, in our opinion, are substantially correct as stated.

We have reviewed the system of internal control and the accounting procedures of the Companies without making a detailed audit of all transactions and have examined or tested accounting records of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate. The Companies' accounts have been maintained in conformity with accepted accounting principles on a basis consistent with that of the preceding year. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying Consolidated Balance Sheet and the related Consolidated Income and Surplus Account fairly present the financial condition of the Company and its subsidiaries as at January 31, 1942 and the results of operations for the fiscal year ended on that date.

Chicago, Illinois
March 19, 1942

R. G. RANKIN & CO.,
Certified Public Accountants

SEARS, ROEBUCK AND CO.

CONSOLIDATED INCOME AND EARNED SURPLUS ACCOUNT

EXCLUDING INSURANCE COMPANIES NOT CONSOLIDATED

	February 1, 1941 to January 31, 1942		February 1, 1940 to January 31, 1941	
Net Sales		$915,057,628		$704,301,014
Deduct:—*Cost of Sales, Advertising, Selling, Administrative, and General Expense*	$786,587,766		$621,355,531	
Repairs and Maintenance	6,348,590		3,684,090	
Depreciation	10,261,373		8,397,094	
Taxes (other than Federal Income Taxes)	13,201,140	816,398,869	10,150,033	643,586,748
Operating Income		98,658,759		60,714,266
Other Income:				
Dividends	1,116,190		1,268,278	
Interest on Investments and Advances	187,850		106,834	
Profit on Sales of Investments and Securities	—	1,304,040	918,788	2,293,900
Gross Income		99,962,799		63,008,166
Deductions from Income:				
Interest on Notes Payable	125,100		253,443	
Contribution (to The Savings and Profit Sharing Pension Fund of Sears, Roebuck and Co. Employes)	7,475,143	7,600,243	4,136,140	4,389,583
Net Income Before Provision for Federal Income Taxes		92,362,556		58,618,583
Provision for Federal Income Taxes:				
Normal Tax	15,534,000		15,165,000	
Surtax	4,531,000		—	
Excess Profits Tax	35,494,000	55,559,000	7,335,000	22,500,000
Net Income including Interest of Minority Stockholders		36,803,556		36,118,583
Adjustment for Minority Stockholders' Interest		92,052		31,915
Net Consolidated Income		36,711,504		36,086,668
Appropriated to Reserve for Contingencies		6,777,279		—
Transferred to Earned Surplus		29,934,225		36,086,668
Earned Surplus, Beginning of Year		94,481,466		85,027,510
		124,415,691		121,114,178
Deduct:				
Dividends Paid	24,415,691		24,132,712	
Provision for settlement of Federal Income Tax applicable to Deferred Profit on Installment Sales.	—	24,415,691	2,500,000	26,632,712
Earned Surplus, End of Year		$100,000,000		$ 94,481,466

NOTE: The foregoing Consolidated Income and Earned Surplus Account excludes undistributed net profit of unconsolidated Insurance Companies of $108,011 for the year ended December 31, 1940 and includes dividends of $35,782 in excess of net profit for the year ended December 31, 1941.

CHARLES E. HUMM,
Comptroller

American Hard Rubber Company.

BALANCE SHEET AT DECEMBER 31, 1941.

ASSETS

Cash and Bank Balances	$ 694,615.90
Notes and Accounts Receivable	1,005,415.64
Inventories of Finished Goods, Work in Process, Raw Materials and Supplies, at cost or market, whichever lower	1,315,140.53
Cash Surrender Value of Life Insurance Policies	147,925.50
TOTAL CURRENT ASSETS	$3,163,097.57
Mortgage Receivable	22,500.00
Investment in Stock of Pequanoc Rubber Company — at cost (100% owned — see Note A)	560,184.20
Other Securities	9,537.50
Property Accounts:	
Real Estate, Buildings, Equipment and Goodwill, etc., less Depreciation	4,265,755.15
Deferred Charges	70,955.39
	$8,092,029.81

NOTE A: The book value of the outstanding stock of Pequanoc Rubber Company (all of which is owned by American Hard Rubber Company) at December 31, 1941 is $2,035,920.17, as shown by the Balance Sheet of that Company and as certified by independent public accountants.

LIABILITIES

Accounts Payable				$ 461,661.51
Accrued Liabilities				112,184.36
Reserve for Federal Income and Excess Profits Taxes				425,000.00
TOTAL CURRENT LIABILITIES				$ 998,845.87
Reserve for Contingencies				250,000.00
CAPITAL:				
CAPITAL STOCK:				
Preferred $7.00 Cumulative — Callable at $110.00 (par value $100.00 per share):				
Authorized 25,000 shares	$2,500,000.00			
Unissued 5,439 shares	543,900.00			
Outstanding 19,561 shares (see Note B)		$1,956,100.00		
Common — (par value $25.00 per share):				
Authorized 100,000 shares	$2,500,000.00			
Unissued 10,886 shares	272,150.00			
Outstanding 89,114 shares (see Note B)		2,227,850.00		
		$4,183,950.00		
SURPLUS:				
Capital Surplus	$1,470,635.02			
Earned Surplus	1,188,598.92	2,659,233.94	6,843,183.94	
				$8,092,029.81

NOTE B: 217 shares of the above outstanding preferred stock and 1,137 shares of the above outstanding common stock represent the equity of stockholders who have objected to the consolidation with Pequanoc Rubber Corporation and the Plan of Reorganization which became effective December 27, 1941, and who have demanded payment for their stock.

American Hard Rubber Company

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1941

Gross Sales, less Discounts, Returns and Allowances		$9,135,818.10
Cost of Goods Sold, before Depreciation and Taxes		7,013,990.17
		$2,121,827.93
Depreciation on Plant and Equipment	$175,994.70	
Federal, State and Local Taxes (exclusive of Federal Income and Excess Profits Taxes)	221,725.15	397,719.85
		$1,724,108.08
Selling, General and Administrative Expenses		844,727.49
		$ 879,380.59
Other Income:		
Dividends and Interest on Securities	$27,011.73	
Cash Discounts on Purchases	20,674.56	47,686.29
		$ 927,066.88
Other Charges:		
Miscellaneous (Net)		6,979.92
NET INCOME BEFORE PROVISION FOR FEDERAL INCOME AND EXCESS PROFITS TAXES		$ 920,086.96
Provision for Federal Income Taxes:		
Normal Tax and Surtax	$245,000.00	
Excess Profits Tax	180,000.00	425,000.00
NET INCOME FOR THE YEAR 1941		$ 495,086.96

EARNED SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1941

CREDIT BALANCE AT DECEMBER 31, 1940			$1,022,925.07
ADD:			
Net Income for year ended December 31, 1941			495,086.96
Adjustment of Reserve for 1940 Federal Income Taxes			3,961.57
			$1,521,973.60
DEDUCT:			
Dividends Paid:			
On 16,861 shares Preferred Stock at $8.00 per share	$134,888.00		
On 65,503 shares Common Stock at $3.00 per share	196,509.00	$331,397.00	
Miscellaneous Adjustments (Net)		1,977.68	333,374.68
CREDIT BALANCE AT DECEMBER 31, 1941			$1,188,598.92

American Hard Rubber Company

CAPITAL SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1941

CREDIT BALANCE AT DECEMBER 31, 1940			$ 254,585.02
ADD:			
Capital Surplus arising from the exchange of the Company's Common Stock having a par value of $50.00 per share for Common Stock having a par value of $25.00 per share, on a share for share basis, in accordance with the Plan of Reorganization effective December 27, 1941:			
65,503 shares outstanding having par value of $50.00 per share	$3,275,150.00		
Less: 65,503 shares issued in exchange for above, having a par value of $25.00	1,637,575.00		
	$1,637,575.00		
DEDUCT:			
16,861 shares of Common Stock having par value of $25.00 per share issued to holders of Preferred Stock in addition to Preferred Stock exchanged on a share for share basis in accordance with Plan of Reorganization effective December 27, 1941	421,525.00		
Net Increase in Capital Surplus			1,216,050.00
CREDIT BALANCE AT DECEMBER 31, 1941			$1,470,635.02

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
AMERICAN HARD RUBBER COMPANY:

We have examined the Balance Sheet of AMERICAN HARD RUBBER COMPANY, as of December 31, 1941, and the Profit and Loss and Surplus Accounts for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods, and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The Stockholders of American Hard Rubber Company, at a special meeting held on December 26, 1941, approved the Proposed Plan of Consolidation with the Pequanoc Rubber Corporation and Plan of Reorganization submitted to them under date of December 5, 1941. The Capital Stock Accounts as shown on the accompanying Balance Sheet are in accordance with the Certificate of Consolidation which was filed with and approved by the Secretary of State of the State of New York on December 27, 1941; as indicated in footnote B on the Balance Sheet, the Capital Accounts may be subject to adjustment in settlement of the demands of dissenting stockholders for payment of their stock.

By this Consolidation the American Hard Rubber Company acquired the assets of Pequanoc Rubber Corporation, namely, the remaining 2,700 of the 5,000 shares outstanding of the Common Stock of the Pequanoc Rubber Company, and thus became owner of the entire outstanding Capital Stock of the latter company. This investment is shown on the Balance Sheet at cost, with footnote A giving the book value thereof.

In our opinion, the accompanying Balance Sheet, based on the foregoing comments relative to the Consolidation and Plan of Reorganization, and related statements of Profit and Loss and Surplus present fairly the position of American Hard Rubber Company at December 31, 1941, and the results of its operations for the year ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

(Signed) R. T. LINGLEY & CO.
Accountants and Auditors.

41 Maiden Lane, New York, N. Y.
February 25, 1942.

THE GOODYEAR TIRE
AND DOMESTIC AND FOREIGN

CONSOLIDATED

ASSETS

	December 31, 1941	December 31, 1940
CURRENT ASSETS:		
Cash on hand, demand and time deposits	$ 13,489,563	$ 19,952,758
Canadian Government securities	—	176,588
Accounts and notes receivable:		
Trade (less reserves for discounts and allowances)	$ 45,331,900	$ 27,671,844
Other	1,044,348	910,263
	$ 46,376,248	$ 28,582,107
Less: Reserves for bad debts	2,675,487	2,601,546
	$ 43,700,761	$ 25,980,561
Inventories at cost or market whichever is lower	83,009,592	74,203,869
TOTAL CURRENT ASSETS	$140,199,916	$120,313,776
CASH held under U. S. Government contracts, per contra	2,818,565	—
INVESTMENTS, at cost less reserves	2,175,484	1,402,129
PROPERTY ACCOUNTS:		
Land, buildings, machinery and equipment, at cost	$193,531,894	$186,654,828
Less: Depreciation	115,215,929	108,387,811
	$ 78,315,965	$ 78,267,017
GOODWILL, PATENTS AND TRADE-MARKS	1	1
DEFERRED CHARGES TO FUTURE OPERATIONS:		
Prepaid insurance and other expenses	1,573,125	633,018
	$225,083,056	$200,615,941

For information regarding assets and earnings of foreign subsidiaries, see report to shareholders, pages 5 and 6.

& RUBBER COMPANY
SUBSIDIARY COMPANIES

BALANCE SHEET

LIABILITIES

	1941	1940	December 31, 1941	December 31, 1940
CURRENT LIABILITIES:				
Accounts payable and customers advance payments			$ 14,137,106	$ 9,177,530
Foreign bank overdrafts			2,627,366	1,972,211
Accrued United States taxes, less $15,208,800 U. S. Treasury tax notes			7,107,788	3,510,526
Accrued foreign taxes			9,654,440	5,978,341
Accrued interest and dividends payable			96,409	107,138
Bonds and serial notes payable within one year			500,000	1,500,000
TOTAL CURRENT LIABILITIES			$ 34,123,109	$ 22,245,746
ADVANCES under U. S. Government contracts, less reimbursements due for expenditures, per contra			2,818,565	—
FUNDED DEBT OF THE GOODYEAR TIRE & RUBBER COMPANY (less amounts payable within one year):				
First mortgage and collateral trust 3½% bonds, Series A, due December 15, 1958			$ 38,000,000	$ 38,500,000
Serial notes 1943—1944—1½%			2,000,000	3,000,000
			$ 40,000,000	$ 41,500,000
CONTINGENT AND MISCELLANEOUS RESERVES			10,123,568	4,486,416
CAPITAL STOCK OF SUBSIDIARY COMPANIES NOT HELD BY THE GOODYEAR TIRE & RUBBER COMPANY (at book values):				
Preferred stocks			$ 7,393,747	$ 7,534,962
Common stocks			1,621,266	1,682,257
			$ 9,015,013	$ 9,217,219
CAPITAL STOCK OF THE GOODYEAR TIRE & RUBBER COMPANY:				
$5.00 convertible preferred stock, cumulative, no par value: (Authorized 694,392 shares)				
Outstanding	642,319 shares	650,020 shares		
Less: Held in treasury	11,865 "	7,388 "		
	630,454 "	642,632 "	$ 63,045,400	$ 64,263,200
Second preferred stock $7.00 cumulative, no par value: (Authorized 189,025 shares)				
Outstanding	None	None	—	—
Common stock, no par value: (Authorized 5,000,000 shares)				
Outstanding	2,061,456 shares	2,061,456 shares		
Less: Held in treasury	2,288 "	2,288 "		
	2,059,168 "	2,059,168 "	10,997,523	10,997,523
			$ 74,042,923	$ 75,260,723
CAPITAL SURPLUS, as per statement attached			19,204,255	18,964,059
EARNED SURPLUS, as per statement attached			35,755,623	28,941,778
			$225,083,056	$200,615,941

THE GOODYEAR TIRE & RUBBER COMPANY
AND DOMESTIC AND FOREIGN SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS STATEMENT

	Year Ending December 31, 1941	1940
NET SALES (returns, discounts, freight, allowances, excise taxes and inter-company sales deducted)	$330,599,674	$217,540,079
Deduct:		
Cost of goods sold	$232,092,070	$152,200,919
Depreciation provided	10,474,247	10,089,303
Selling, administrative and general expense	41,155,291	35,810,167
	$283,721,608	$198,100,389
OPERATING PROFITS	$ 46,878,066	$ 19,439,690
OTHER INCOME	1,535,074	1,087,607
TOTAL PROFITS	$ 48,413,140	$ 20,527,297
INTEREST AND OTHER CHARGES:		
Interest on funded and miscellaneous debt	$ 1,571,353	$ 1,653,692
Dividends and equity in undistributed earnings of subsidiaries not wholly owned by The Goodyear Tire & Rubber Company	652,725	590,802
	$ 2,224,078	$ 2,244,494
PROFITS before provision for income taxes and contingencies	$ 46,189,062	$ 18,282,803
PROVISION FOR INCOME AND EXCESS PROFITS TAXES:		
United States (includes excess profits taxes $11,436,015 for 1941)	$ 18,876,967	$ 2,363,914
Foreign	7,480,698	4,609,101
	$ 26,357,665	$ 6,973,015
PROFITS before provision for contingencies	$ 19,831,397	$ 11,309,788
PROVISION FOR CONTINGENCIES	7,000,000	1,000,000
PROFITS CARRIED TO EARNED SURPLUS	$ 12,831,397	$ 10,309,788

THE GOODYEAR TIRE & RUBBER COMPANY
AND DOMESTIC AND FOREIGN SUBSIDIARY COMPANIES

CONSOLIDATED EARNED SURPLUS STATEMENT

	Year Ending December 31, 1941	1940
EARNED SURPLUS AT BEGINNING OF PERIOD	$ 28,941,778	$ 24,429,684
PROFITS per consolidated profit and loss statement	12,831,397	10,309,788
	$ 41,773,175	$ 34,739,472
DIVIDENDS of The Goodyear Tire & Rubber Company:		
On $5.00 convertible preferred stock	$ 3,190,653	$ 3,228,160
On common stock	2,826,899	2,569,534
	$ 6,017,552	$ 5,797,694
EARNED SURPLUS AT END OF PERIOD, per balance sheet	$ 35,755,623	$ 28,941,778

CAPITAL SURPLUS STATEMENT

	Year Ending December 31, 1941	1940
CAPITAL SURPLUS AT BEGINNING OF PERIOD	$ 18,964,059	$ 18,838,643
Add—Capital adjustments	240,196	125,416
CAPITAL SURPLUS AT END OF PERIOD, per balance sheet	$ 19,204,255	$ 18,964,059

REPORT OF AUDITORS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
THE GOODYEAR TIRE & RUBBER COMPANY:

We have examined the consolidated balance sheet of The Goodyear Tire & Rubber Company and its domestic and foreign subsidiary companies as of December 31, 1941, and the consolidated statements of profit and loss and surplus for the fiscal year then ended. With respect to the parent company and its domestic and principal foreign subsidiary companies, we have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. The accounts of foreign subsidiary companies not examined by us have been examined by other responsible independent accountants and confirmed to us.

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and surplus present fairly the position of the combined companies at December 31, 1941, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

New York, N. Y.
February 9, 1942

UNITED STATES RUBBER COMPANY
AND
SUBSIDIARY COMPANIES
Consolidated Balance Sheet

ASSETS

	Dec. 31, 1941	Dec. 31, 1940
Cash	$ 29,135,930.77	$ 20,010,453.06
U. S. Treasury tax anticipation notes Series A and B—1943	9,179,040.00	....
Marketable securities including 26,000 shares of United States Rubber Company common stock (at cost) purchased in 1941 for bonus distribution in 1942 (market value $439,602 for 1941; $526,135 for 1940)	649,863.55	535,219.88
Accounts and notes receivable from customers less reserve for doubtful accounts ($1,982,886 for 1941; $1,707,890 for 1940)	34,941,778.39	34,896,903.81
Other accounts and notes receivable, less reserves ($92,069 for 1941; $46,394 for 1940)	4,242,576.08	1,211,563.28
Finished goods	26,213,074.66	28,840,248.01
Goods in process of manufacture	8,302,048.98	7,008,860.69
Raw materials	38,515,280.84	26,270,828.83
Supplies	3,635,244.33	2,334,039.92
TOTAL INVENTORIES (at lower of cost or market)	76,665,648.81	64,453,977.45
TOTAL CURRENT ASSETS	154,814,837.60	121,108,117.48
Miscellaneous investments at cost or lower	1,780,728.26	1,857,943.42
Land, land improvements and water rights	6,766,814.79	6,627,682.67
Plants and equipment	134,207,446.11	130,310,602.45
	140,974,260.90	136,938,285.12
Less reserves for depreciation	93,175,189.95	89,010,868.16
NET PROPERTIES, PLANTS AND EQUIPMENT	47,799,070.95	47,927,416.96
Plantation properties, plants and equipment	36,993,290.70	37,159,545.43
Less reserves for depreciation and amortization	18,120,284.31	17,176,869.01
NET PLANTATION PROPERTIES, PLANTS AND EQUIPMENT	18,873,006.39	19,982,676.42
Properties not required for operations—net	281,221.10	1,188,879.41
TOTAL PROPERTIES, PLANTS AND EQUIPMENT—NET	66,953,298.44	69,098,972.79
Prepaid and deferred assets	1,155,594.47	740,931.44
	$224,704,458.77	$192,805,965.13

Reference is made to page 4 of the Chairman's letter as to the assets in foreign countries and the basis of their conversion.

UNITED STATES RUBBER COMPANY
AND
SUBSIDIARY COMPANIES
Consolidated Balance Sheet

LIABILITIES

	Dec. 31, 1941	Dec. 31, 1940
Accounts payable	$ 31,488,749.80	$ 23,906,220.00
Advance under government contract	3,700,000.00	....
Accrued taxes	23,842,510.84	9,009,975.12
Other accrued liabilities (including bonuses payable in cash and stock)	7,433,658.21	5,646,649.74
TOTAL CURRENT LIABILITIES	66,464,918.85	38,562,844.86
First Mortgage and Collateral Trust 3⅝% Bonds, Series A, due July 1, 1958 (after deposit on December 31, 1941 of $1,000,000 with trustee for sinking fund redemption)	37,947,000.00	41,067,000.00
(Sinking fund redemptions due $1,000,000 semi-annually plus 10% of consolidated net earnings due annually. 10% payment due July 1, 1942 approximately $1,384,000.)		
Reserve for war losses	1,400,000.00	....
Reserve for insurance	1,723,025.31	1,746,495.02
Reserve for pensions	489,303.55	350,359.41
General reserves	4,113,951.06	3,608.797.72
TOTAL RESERVES	7,726,279.92	5,705.652.15
Minority interests in capital stock and surplus of subsidiary companies	418,671.46	400,605.86
Capital Stocks:		
8% Non-cumulative Preferred—($100 par value) Authorized $96,109,100. Issued	65,109,100.00	65,109,100.00
Common Stock—($10 par value) Authorized $19,184,120. Issued	17,390,920.00	17,360,920.00
Capital Surplus	12,486,862.65	12,456,836.51
Earned Surplus (earned since June 30, 1938)	17,160,705.89	12,143,005.75
	$224.704.458.77	$192.805.965.13

UNITED STATES RUBBER COMPANY
AND
SUBSIDIARY COMPANIES

Consolidated Income

	1941	1940
Net Sales, after all returns, discounts, excise and sales taxes, transportation and allowances	$315,345,328.09	$228,988,780.12
Cost of goods sold, including depreciation of active plants and plantations of $8,649,919 for 1941 and $8,451,972 for 1940	245,920,799.76	178,574,232.57
	69,424,528.33	50,414,547.55
Selling, administrative and general expenses	34,667,953.55	31,005,015.90
PROFIT FROM OPERATIONS	34,756,574.78	19,409,531.65
Other income credits	1,452,756.76	1,160,851.45
	36,209,331.54	20,570,383.10
Other income charges	711,861.86	547,405.16
	35,497,469.68	20,022,977.94
Interest on funded indebtedness	1,450,253.78	1,526,595.00
NET INCOME BEFORE PROVISIONS AND ADJUSTMENTS	34,047,215.90	18,496,382.94
Loss on sale of former United States Rubber Company General Office building	....	438,470.17
Provision for Federal excess profits taxes	9,764,613.00	....
Provision for Federal normal income taxes	6,349,156.00	3,889,082.94
Provision for foreign income and excess profits taxes	2,782,275.37	2,645,510.49
Provision for war losses	1,400,000.00	....
	20,296,044.37	6,973,063.60
NET INCOME FOR THE PERIOD	13,751,171.53	11,523,319.34
Less equity in earnings applicable to minority interests in subsidiaries	88,513.89	98,078.69
NET INCOME TRANSFERRED TO EARNED SURPLUS	$ 13,662,657.64	$ 11,425,240.65

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UNITED STATES RUBBER COMPANY
AND
SUBSIDIARY COMPANIES

Consolidated Earned Surplus

Earned Surplus—January 1, 1941			$12,143,005.75
Net Income for the period			13,662,657.64
			25,805,663.39
Less:			
Dividends on preferred stock			
2% paid March 28, 1941	$1,302,182.00		
2% paid June 27, 1941	1,302,182.00		
2% paid Sept. 26, 1941	1,302,182.00		
2% paid Dec. 19, 1941	1,302,182.00	$5,208,728.00	
Dividends on common stock			
50¢ per share paid Nov. 19, 1941	869,350.50		
$1.50 per share paid Dec. 22, 1941	2,608,203.00		
	3,477,553.50		
Less dividends on common stock held under "B" Bonus and Managers' Shares Plans	41,324.00	3,436,229.50	8,644,957.50
EARNED SURPLUS—December 31, 1941			$17,160,705.89

Consolidated Capital Surplus

Capital Surplus—January 1, 1941	$12,456,836.51
Plus:	
Excess over par value of 3,000 shares of common stock issued under Managers' Shares Plan ($10 per share)	30,000.00
Excess of book value over cost of capital stock of subsidiary companies acquired during the year	26.14
CAPITAL SURPLUS—December 31, 1941	$12,486,862.65

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HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

22 EAST 40TH STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

UNITED STATES RUBBER COMPANY:

We have examined the consolidated balance sheet of United States Rubber Company and subsidiary companies as of December 31, 1941 and the related statements of consolidated income, consolidated earned surplus, and consolidated capital surplus for the year ended that date, and, as to the companies other than Malayan American Plantations, Limited; The Fisk Tire Co., Inc. Of The Philippines; and the Manila Branch of United States Rubber Export Company, Limited, have reviewed the accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control. We have previously examined or tested the accounting records and other supporting evidence for the year ended December 31, 1940.

As to Malayan American Plantations, Limited, whose total net current and other assets as of October 31, 1941 were $11,927,993 and, as to The Fisk Tire Co., Inc. Of The Philippines and the Manila Branch of United States Rubber Export Company, Limited, whose combined total net current and other assets as of November 30, 1941 were $466,580, we reviewed the statements furnished by those companies as of the aforementioned dates, and the figures shown therein are included in the accompanying consolidated statements.

In our opinion, subject to the exceptions stated above with respect to the limitation of the scope of our examination because of war conditions existing in the Far East, the accompanying consolidated balance sheet and statements of consolidated income, consolidated earned surplus, and consolidated capital surplus fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

February 4, 1942.

Statement of Consolidated Income

FOR THE YEARS ENDED DECEMBER 31, 1941 AND 1940

	Year Ended December 31 1941	1940
NET SALES	$169,178,238.75	$112,363,529.30
COST OF GOODS SOLD	131,874,097.99	94,371,066.45
GROSS PROFIT FROM SALES	$ 37,304,140.76	$ 17,992,462.85
LESS:		
Selling, general, and administrative expenses	$ 11,871,002.51	$ 8,487,846.67
Provision for doubtful accounts	172,578.51	86,005.02
Total	$ 12,043,581.02	$ 8,573,851.69
PROFIT FROM OPERATIONS	$ 25,260,559.74	$ 9,418,611.16
OTHER INCOME CREDITS:		
Income from royalties and joint ventures—net	$ 1,341,223.79	$ 1,397,241.29
Dividends	509,731.45	493,939.45
Interest	158,426.99	155,311.51
Net profit from rentals and miscellaneous operations, etc.	220,102.70	114,271.19
Total	$ 2,229,484.93	$ 2,160,763.44
GROSS INCOME	$ 27,490,044.67	$ 11,579,374.60
INCOME CHARGES:		
Losses on retirements of property—net	$ 1,351,424.88	$ 525,724.24
Interest	625,547.45	296,887.42
Provision for contingencies	1,000,000.00	
Provision for impairment of investments	133,624.53	364,546.53
Other	235,741.64	242,591.21
Total	$ 3,346,338.50	$ 1,429,749.40
NET INCOME BEFORE PROVISION FOR INCOME AND EXCESS PROFITS TAXES	$ 24,143,706.17	$ 10,149,625.20
PROVISION FOR INCOME AND EXCESS PROFITS TAXES:		
Federal, state, and foreign income taxes	$ 5,821,207.75	$ 2,506,911.22
Federal excess profits tax	7,094,023.53	
Total	$ 12,915,231.28	$ 2,506,911.22
NET INCOME	$ 11,228,474.89	$ 7,642,713.98

Statements of Consolidated Surplus

FOR THE YEAR ENDED DECEMBER 31, 1941

EARNED SURPLUS

BALANCE, JANUARY 1, 1941		$ 8,796,066.95
NET INCOME FOR THE YEAR		11,228,474.89
RECOVERY FROM FOREIGN SUBSIDIARIES, THE INVESTMENTS IN WHICH WERE PREVIOUSLY RESERVED FOR IN FULL—Net		30,571.67
GROSS SURPLUS		$20,055,113.51
SURPLUS CHARGES:		
Dividends:		
Preferred		$ 2,024,652.29
Common		4,016,125.75
Losses on extraordinary retirements of property		554,669.81
Deficit of subsidiary company at date of original consolidation		36,010.42
Total		$ 6,631,458.27
BALANCE, DECEMBER 31, 1941		$13,423,655.24

CAPITAL SURPLUS

BALANCE, JANUARY 1, 1941		$ 4,827,740.61
CHARGES:		
Appreciation written off on extraordinary retirements of property	$31,842.79	
Excess of cost over book value of minority interest in capital stock of subsidiary company acquired during the year	895.40	32,738.19
BALANCE, DECEMBER 31, 1941		$ 4,795,002.42

Consolidated Balance Sh

ASSETS	December 31 1941	1940
CURRENT ASSETS:		
Cash	$ 23,640,770.61	$ 15,714,923.93
United States Treasury bonds and notes — at cost (including $7,504,400.00 of Tax Notes Series B-1943)—(valuation at quoted market values, $11,282,993.75)	11,300,775.86	
Other marketable securities—at cost (valuation at quoted market values for 1941, $306,819.00; for 1940, $272,845.36)	262,455.23	177,348.53
Notes and accounts receivable:		
Trade (less reserves for doubtful accounts for 1941, $818,354.22; for 1940, $696,149.78)	15,529,353.13	13,604,554.72
Other (less reserves for 1941, $11,436.89; for 1940, $18,989.68)	685,289.35	659,995.34
Inventories:		
Finished and in-process products—at lower of cost or market	14,932,202.87	18,470,220.42
Raw materials and supplies—at lower of cost or market	13,572,794.00	12,692,549.86
Rolls, moulds, stools, etc.—at cost (less reserves for condition for 1941, $1,702,703.20; for 1940, $1,803,537.60)	3,219,467.34	2,986,356.44
Materials in transit	457,080.95	470,630.76
Total current assets	$ 83,600,189.34	$ 64,776,580.00
INSURANCE FUND—Cash (see contra)	$ 364,802.94	$ 377,193.17
INVESTMENTS—At cost:		
Investments in and advances to previously consolidated foreign subsidiaries, reserved for in full below	$ 114,423.83	$ 113,257.88
Securities of and advances to associated companies	7,643,841.92	8,127,312.30
Notes, accounts, and advances receivable—not current	2,293,879.70	2,194,137.61
Other securities, etc.	802,352.05	801,393.20
Total	$ 10,854,497.50	$ 11,236,100.99
Less reserves for impairment of investments	918,510.71	850,813.44
Investments—net	$ 9,935,986.79	$ 10,385,287.55
PROPERTY, PLANT, AND EQUIPMENT (including balance of appreciation of $5,286,702.90 at December 31, 1941; and $5,513,458.18 at December 31, 1940)	$145,690,377.86	$130,225,100.07
Less reserves for depreciation and depletion	51,541,421.08	49,424,789.18
Property, plant, and equipment—net	$ 94,148,956.78	$ 80,800,310.89
GOODWILL AND PATENTS	$ 1.00	$ 1.00
DEFERRED CHARGES	$ 1,061,529.92	$ 682,571.17
TOTAL	$189,111,466.77	$157,021,943.78

eet, December 31, 1941 and 1940

LIABILITIES	December 31 1941	1940
CURRENT LIABILITIES:		
Notes and overdrafts payable—Foreign operations	$ 720,619.12	$ 2,852,378.22
Accounts payable:		
Trade	6,937,310.05	5,581,479.35
Other	786,900.40	699,084.39
Income and excess profits taxes payable	12,840,595.31	2,645,018.97
Other accrued taxes	1,326,045.10	1,111,125.83
Accrued salaries and wages, interest, etc.	3,180,304.61	1,912,040.06
Current portion of funded debt	1,500,000.00	
Dividends payable on preferred capital stock	506,182.74	506,261.57
Total current liabilities	$ 27,797,957.33	$ 15,307,388.39
FUNDED DEBT:		
Ten-year 3% debentures, Series A, due July 1, 1950 (sinking fund instalments of $750,000.00 required on June 30 of each year beginning in 1946)	$ 7,500,000.00	$ 5,000,000.00
Debentures of Series D to K, inclusive, $500,000.00 each, bearing interest of from 1.25% to 2.6%; one series due on December 1 of each year beginning in 1943	4,000,000.00	4,500,000.00
Fourteen-year 3⅝% debentures, Series L, maturing April 1, 1955 (sinking fund instalments of $1,000,000.00 required annually from 1943 to 1945 and from 1951 to 1954, and instalments of $250,000.00 from 1946 to 1950—less $1,000,000.00 retired)	8,000,000.00	
4% mortgage note of Sheffield Steel Corporation of Texas, due January 1, 1954, in favor of The Reconstruction Finance Corporation; payable in annual instalments beginning January 1, 1943; total amount authorized, $12,000,000.00*	3,800,000.00	
Total funded debt	$ 23,300,000.00	$ 9,500,000.00
RESERVES:		
Current operating	$ 1,049,590.88	$ 904,491.39
Insurance (see contra)	364,802.94	377,193.17
Reserve for contingencies	1,000,000.00	
Other	560,331.92	490,584.34
Total reserves	$ 2,974,725.74	$ 1,772,268.90
DEFERRED CREDITS	$ 88,117.29	$ 79,470.18
CAPITAL STOCK:		
Preferred, authorized, 600,000 shares of $100.00 par value each; issued as 4½% cumulative convertible, 450,000 shares, less 70 shares held in treasury	$ 44,993,000.00	$ 45,000,000.00
Common, authorized, 4,500,000 shares of $25.00 par value each (reserved for conversion of 4½% cumulative convertible preferred capital stock, 989,846 shares); issued and outstanding:		
Full shares—2,868,674 for 1941 and 2,868,637 for 1940	71,716,850.00	71,715,925.00
Shares in fractional scrip—886⁷⁄₂₀ for 1941 and 923⁷⁄₂₀ for 1940	22,158.75	23,083.75
Total capital stock	$116,732,008.75	$116,739,008.75
SURPLUS:		
Capital surplus—Paid-in	$ 4,795,002.42	$ 4,827,740.61
Earned surplus	13,423,655.24	8,796,066.95
Total surplus	$ 18,218,657.66	$ 13,623,807.56
TOTAL	$189,111,466.77	$157,021,943.78

*Assets of Sheffield Steel Corporation of Texas, $6,879,313.80 (consisting chiefly of plant property), pledged as collateral. The note is not guaranteed by The American Rolling Mill Company or any of its other subsidiaries.

Property Investment and Reserves

PROPERTY, PLANT, AND EQUIPMENT

Balance, January 1, 1941		$130,225,100.07
Add capital expenditures during the year		20,688,993.49
Total		$150,914,093.56
Deduct:		
Property sold, dismantled, etc.	$5,202,009.09	
Transfers and adjustments	21,706.61	5,223,715.70
Balance, December 31, 1941		$145,690,377.86

The above schedule includes land (other than mining properties subject to depletion) of $5,183,328.05 at January 1, 1941 and $5,536,299.37 at December 31, 1941.

RESERVES FOR DEPRECIATION AND DEPLETION

Balance, January 1, 1941		$ 49,424,789.18
Add provision for the year		5,133,898.78
Total		$ 54,558,687.96
Deduct:		
Depreciation accrued on properties sold, dismantled, etc.	$2,957,733.31	
Transfers and adjustments	59,533.57	3,017,266.88
Balance, December 31, 1941		$ 51,541,421.08

RESERVES FOR CONDITION OF ROLLS, MOULDS, STOOLS, ETC.

Balance, January 1, 1941		$ 1,803,537.60
Add provision for the year		2,402,179.35
Total		$ 4,205,716.95
Deduct:		
Charges for replacements, reconditioning, etc.	$2,479,672.87	
Transfers and adjustments	23,340.88	2,503,013.75
Balance, December 31, 1941		$ 1,702,703.20

CURRENT OPERATING RESERVES

Balance, January 1, 1941	$ 904,491.39
Add provision for the year	2,715,885.25
Total	$ 3,620,376.64
Deduct amounts expended for renewals, partial rebuilding, etc.	2,570,785.76
Balance, December 31, 1941	$ 1,049,590.88

Inventories and Investments

INVENTORIES

	December 31, 1941	December 31, 1940
Iron ores, other blast furnace materials, and fuels	$ 5,735,482.02	$ 3,909,478.02
Pig iron	254,187.91	1,462,827.63
Scrap and other open hearth raw materials	2,942,381.69	4,228,870.19
Other raw materials, stores, supplies, and special items	4,640,742.38	3,091,374.02
Materials in transit	457,080.95	470,630.76
Rolls, moulds, stools, etc. (net)	3,219,467.34	2,986,356.44
Semi-finished product	9,812,176.77	11,031,250.34
Finished product	5,120,026.10	7,438,970.08
TOTAL	$32,181,545.16	$34,619,757.48

Finished and in-process products, raw materials and supplies are priced at the lower of cost or market. Our practice is to use in the determination of cost, the average cost method and in the determination of market, the lower of quoted prices or in the case of products manufactured by us the current reproduction cost. The full amount of inter-company profit included in the inventories has been eliminated through reserves provided for that purpose.

INVESTMENTS IN AND ADVANCES TO ASSOCIATED COMPANIES

Company	*Percentage of Ownership*	*Investment at December 31, 1941, at Cost*	*Market Value or Equity per Reports of Associates*	*Nature of Business*
Hanna Ore Mining Company	15	$ 660,382.56	$ 767,246.77	Iron Ore Mining
The Castile Mining Company	25	578,855.15	556,057.27	Iron Ore Mining
Richmond Iron Company	33.33	27,626.47	83,581.66	Iron Ore Mining
The St. James Mining Company	25	267,938.00	267,938.00	Iron Ore Mining
The Columbia Transportation Company	11.21	255,730.95	383,989.26	Lake Transportation
Rustless Iron and Steel Corporation:				
Common stock	48.57	3,942,270.47	4,386,076.50	Manufacturing Alloy Steel
Preferred stock	19.23	294,827.80	334,327.50	
Total		$6,027,631.40	$6,779,216.96	
Other companies		1,616,210.52		
TOTAL		$7,643,841.92		

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

THE FIRST NATIONAL BANK BUILDING
CINCINNATI

ACCOUNTANTS' CERTIFICATE

The American Rolling Mill Company:

We have examined the consolidated balance sheet of The American Rolling Mill Company and its subsidiary companies as of December 31, 1941 and the related statements of consolidated income and surplus for the year ended that date, have reviewed their accounting procedures and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control. The accounts of one domestic subsidiary and its consolidated foreign subsidiaries are included in the financial statements on the basis of fiscal years ended October 31.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and surplus fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

Cincinnati,
February 20, 1942.

II

PRICE, WATERHOUSE & CO.

56 PINE STREET

NEW YORK, February 28, 1942.

TO THE BOARD OF DIRECTORS,
BETHLEHEM STEEL CORPORATION:

We have examined the accompanying consolidated balance sheet as at December 31, 1941, of Bethlehem Steel Corporation, a Delaware corporation, and of the other corporations whose accounts are consolidated with its accounts (to which other corporations we hereinafter refer as its subsidiary companies), and the related consolidated income and surplus statements for the year 1941. We have reviewed the system of internal check and control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested their accounting records and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and surplus fairly present the consolidated position of Bethlehem Steel Corporation and its subsidiary companies as at December 31, 1941, and the results of their operations for the year ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the previous year.

PRICE, WATERHOUSE & CO.

CERTIFICATE OF AUDIT

Board of Directors,
The Cleveland-Cliffs Iron Company,
Cleveland, Ohio.

We have examined the consolidated balance sheet of The Cleveland-Cliffs Iron Company and its consolidated subsidiaries as of December 31, 1941, and the consolidated statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In connection with our examination we confirmed cash balances and securities owned and tested receivables by communication with debtors. Relative to inventories we visited representative locations where inventories were stored, reviewed inventory records, and tested the basis of pricing and computations.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the consolidated position of The Cleveland-Cliffs Iron Company and its consolidated subsidiaries at December 31, 1941, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Cleveland, Ohio
March 2, 1942

ACCOUNTANTS' CERTIFICATE

THE EASTERN ROLLING MILL COMPANY:

We have examined the balance sheet of The Eastern Rolling Mill Company as of December 31, 1941 and the related summaries of income and capital surplus and deficit from operations for the year ended that date. We have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. We have made similar examinations from the date of incorporation, June 26, 1919 to December 31, 1940.

In our opinion, the accompanying balance sheet, summaries of income, and capital surplus and deficit from operations fairly present the financial condition of the Company at December 31, 1941 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS.

Baltimore, Md.
February 9, 1942.

Accountant's Report

February 25, 1942.

BOARD OF DIRECTORS,
NATIONAL STEEL CORPORATION,
PITTSBURGH, PA.

We have examined the consolidated balance sheet of NATIONAL STEEL CORPORATION and consolidated subsidiaries as of December 31, 1941, and the consolidated statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. Such procedures included test communication with debtors and appropriate observation with regard to procedures followed by the companies in determining inventory quantities at various times during the latter part of the year.

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and surplus present fairly the consolidated position of NATIONAL STEEL CORPORATION and its consolidated subsidiaries at December 31, 1941, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST,
Certified Public Accountants.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

FARMERS BANK BUILDING
PITTSBURGH

ACCOUNTANTS' CERTIFICATE

SUPERIOR STEEL CORPORATION:

We have examined the balance sheet of Superior Steel Corporation as of December 31, 1941 and the related statement of income and earned surplus for the year ended that date, have reviewed the accounting procedures of the Corporation, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying balance sheet and statement of income and earned surplus fairly present the financial condition of the Corporation at December 31, 1941 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

Pittsburgh,
January 29, 1942.

INDEPENDENT AUDITORS' REPORT TO STOCKHOLDERS

To the Stockholders of United States Steel Corporation: New York, March 11, 1942.

As auditors elected at the annual meeting of stockholders of United States Steel Corporation held on May 5, 1941, we have examined the consolidated balance sheet of United States Steel Corporation and subsidiaries as at December 31, 1941, and the consolidated statement of income and surplus for the year 1941. We have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In ascertaining net income for the year 1941 with respect to inventories of certain materials, work in process and finished goods of certain subsidiaries, the last-in, first-out inventory method was applied instead of the average cost method used heretofore. As a result of this change in method, which we approve, inventories at December 31, 1941, and income before Federal taxes for the year 1941 are approximately $15,000,000 less than they would have been under the method heretofore followed. Otherwise, the principles of accounting maintained by the companies during the current year were, in our opinion, consistent with those of the preceding year.

In our opinion, the accompanying consolidated balance sheet and related statement of income and surplus present fairly the position of United States Steel Corporation and subsidiaries at December 31, 1941, and the results of their operations for the year in conformity with generally accepted accounting principles.

PRICE, WATERHOUSE & CO.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

To the Stockholders of
American Manufacturing Company:

We have examined the consolidated balance sheet of American Manufacturing Company and its subsidiaries as of December 31, 1941 and the related summary of consolidated income and surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

During the years 1932 to 1935, inclusive, the amounts of provision made for depreciation (in addition to $277,668.25 provided by charges to earned surplus in 1934 and 1935) represented appropriations of capital surplus, in an aggregate amount of $1,283,072.73, arising from the purchase and retirement of the Company's preferred and common stocks acquired at less than par value. Prior to 1937 the Company did not apply uniform rates of depreciation to property, estimated amounts being taken on certain plants. In 1937 the Company inaugurated a policy of using uniform rates of depreciation of 3% on buildings and 5% on machinery, equipment, etc., based upon values agreed upon with the Treasury Department for Federal income tax purposes; such values after giving effect to subsequent additions and retirements to December 31, 1941, amount to $2,999,176.56 and $2,693,425.92, respectively.

In our opinion, subject to the adequacy of the reserve for depreciation, as to which we are not in a position to express an opinion, and with the exception that depreciation in prior years has in part been charged against capital surplus, the accompanying consolidated balance sheet and summary of consolidated income and surplus fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York,
March 4, 1942

F. R. CARNEGIE STEELE
JAMES WILLING
STANLEY G. H. FITCH
DAVID LESLIE MILNE
RANDOLPH M. FULLER
GEORGE A. WILSON
JULIUS J. RAUH
ARTHUR C. CHUBBUCK
DOUGLAS I. MANN
FRANK B. AUSTIN
EDWARD J. MCDEVITT
LLOYD A. BARNSTEAD

RODNEY G. DENNIS
ALFRED C. FORDON
EDWARD D. MOYSEY
CHARLES M. ROSS
ROGER A. SEEBE

PATTERSON, TEELE AND DENNIS
Accountants and Auditors
120 BROADWAY
NEW YORK

NEW YORK AND BOSTON
WITH ASSOCIATED FIRMS IN PRINCIPAL CITIES OF
UNITED STATES
CANADA
ENGLAND
AUSTRALIA
SOUTH AFRICA
SWEDEN

CABLE ADDRESS—DIGNUS

Accountants' Certificate

To the Stockholders of
American Woolen Company (Incorporated):

We have examined the balance sheet of the American Woolen Company (incorporated Massachusetts) in consolidation with The Pocono Company, as of December 31, 1941; and the statements of income and surplus for the year then ended; have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The assets and transactions of the Textile Realty Company and those of its subsidiary company, Washington Warehouse Company, are not included in the consolidated statements, and the actual value of the American Woolen Company's investment in the Textile Realty Company, as stated on the balance sheet, is not determinable at this date.

In our opinion, the accompanying balance sheet and related statements of income and surplus with appended notes, present fairly the position of the American Woolen Company in consolidation with The Pocono Company, at December 31, 1941, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PATTERSON, TEELE and DENNIS.

New York, N. Y., February 18, 1942.

CONSOLIDATED PROFIT AND LOSS STATEMENT
INDUSTRIAL RAYON CORPORATION AND SUBSIDIARY
Year ended December 31, 1941

Net sales			$19,152,735.04
Cost of goods sold			12,056,348.79
GROSS PROFIT			$ 7,096,386.25
Selling, administrative, and general expenses			1,057,757.93
OPERATING PROFIT			$ 6,038,628.32
Other income:			
Profit on sale of securities		$ 179,525.01	
Miscellaneous income		85,582.57	265,107.58
			$ 6,303,735.90
Other deductions:			
Provision for contingencies		$ 150,000.00	
Research, development, and experimental expenses, less credits from sales and inventory of experimental product	$ 261,601.92		
Less amounts included above	136,403.44	125,198.48	
Interest on notes payable		99,835.62	
Expenses in connection with alterations of plant and equipment		94,628.52	
Loss on disposal of depreciable assets		88,161.52	
Miscellaneous charges		39,119.60	596,943.74
PROFIT BEFORE TAXES ON INCOME			$ 5,706,792.16
Taxes on income—estimated:			
Provision for the year:			
Federal normal tax and surtax		$ 1,117,000.00	
Federal excess profits tax		2,226,000.00	
State income tax		13,000.00	
Adjustment for prior years—net		39,080.99	3,395,080.99
NET PROFIT			$ 2,311,711.17

Provision for depreciation of property, plant, and equipment included above— $1,202,769.85.

CONSOLIDATED

INDUSTRIAL RAYON CORPORATION

ASSETS

CURRENT ASSETS			
Cash on hand and demand deposits		$ 4,635,944.05	
Time deposit		1,000,000.00	
Trade accounts receivable	$ 1,868,772.41		
Less reserves	70,000.00	1,798,772.41	
Inventories—at lower of cost or market:			
Finished product	$ 19,359.88		
In-process and semi-finished	189,431.98		
Raw materials	539,713.38		
Manufacturing supplies	957,611.07		
	$ 1,706,116.31		
Less reserve	30,000.00	1,676,116.31	$ 9,110,832.77
INVESTMENTS AND OTHER ASSETS			
Mortgage notes receivable		$ 49,000.00	
Sundry investment—at cost (quoted market price—$30,825.00)		39,990.00	
Deposits—water, insurance, etc.		37,677.50	
Miscellaneous accounts receivable, advances, etc.		20,170.53	146,838.03
PROPERTY, PLANT, AND EQUIPMENT			
Generally at cost, less reserves for depreciation			
Land and land improvements	$ 1,229,457.10		
Residential property (including land)	213,061.64		
Buildings	8,790,086.16		
Machinery, equipment, etc.	16,076,098.82	$26,308,703.72	
Less reserves for depreciation		8,329,686.00	17,979,017.72
GOOD WILL AND PATENT RIGHTS			1.00
DEFERRED CHARGES			
Prepaid insurance, taxes, etc.			80,762.17
			$27,317,451.69

BALANCE SHEET

AND SUBSIDIARY, DECEMBER 31, 1941

LIABILITIES, CAPITAL STOCK, AND SURPLUS

CURRENT LIABILITIES			
Notes payable to banks—current portion		$ 500,000.00	
Accounts payable		549,378.98	
Accrued taxes, interest, insurance and royalties, etc.		251,720.27	
Federal and state taxes on income of the year ended December 31, 1941—estimated	$ 3,356,000.00		
Less United States Treasury notes—tax series (purchased and held for tax payments)	3,000,000.00	356,000.00	$ 1,657,099.25
LONG-TERM DEBT			
Notes payable to banks—maturing $500,000.00 annually—interest at 2%		$ 4,500,000.00	
Less amount due December 26, 1942—classified as current liability		500,000.00	4,000,000.00
RESERVE FOR GENERAL CONTINGENCIES			150,000.00
CAPITAL STOCK AND SURPLUS			
Capital stock, without nominal or par value:			
Authorized 1,200,000 shares			
Outstanding 759,325 shares			
Stated capital		$10,124,333.34	
Surplus—Note A:			
Capital surplus	$ 4,735,713.69		
Earned surplus	6,650,305.41	11,386,019.10	21,510,352.44

NOTE A—The loan agreement, relating to notes payable to banks, provides that so long as any amount is owing upon the notes, the Corporation will not, without the consent of the holders of such notes, pay any dividends, other than stock dividends, if upon such action being taken, the consolidated net current assets (not including any deductions for amounts payable upon the notes) shall be reduced below $3,500,000.00.

NOTE B—The corporation is a defendant in a suit filed in the United States District Court for the District of Delaware alleging infringement of a patent.

	$27,317,451.69

CONSOLIDATED SURPLUS STATEMENT

INDUSTRIAL RAYON CORPORATION AND SUBSIDIARY

December 31, 1941

CAPITAL SURPLUS			
Balance at January 1, 1941 and December 31, 1941 (no change during year)			$ 4,735,713.69
EARNED SURPLUS			
Balance at January 1, 1941		$ 6,236,906.74	
Add net profit for the year		2,311,711.17	
		$ 8,548,617.91	
Deduct cash dividends:			
$ .50 per share paid April 1, 1941	$ 379,662.50		
.50 per share paid July 1, 1941	379,662.50		
.50 per share paid Oct. 1, 1941	379,662.50		
1.00 per share paid Dec. 15, 1941	759,325.00	1,898,312.50	
BALANCE DECEMBER 31, 1941			6,650,305.41
TOTAL SURPLUS DECEMBER 31, 1941			$11,386,019.10

ERNST & ERNST
ACCOUNTANTS AND AUDITORS
SYSTEM SERVICE
CLEVELAND
UNION COMMERCE BUILDING

Board of Directors,
Industrial Rayon Corporation,
Cleveland, Ohio.

We have examined the consolidated balance sheet of Industrial Rayon Corporation and its subsidiary as of December 31, 1941, and the consolidated statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the corporations and, without making a detailed audit of the transactions, have examined or tested accounting records of the corporations and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Trade accounts receivable were tested by communication with debtors. We observed procedures followed by employees at or near December 31, 1941, in determining the major portion of inventory quantities of raw materials, in-process and semi-finished, and finished product, and were present at appropriate times during the year to observe procedures followed in testing continuous records of manufacturing supplies. Our examination also included tests of prices and computations.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the consolidated position of Industrial Rayon Corporation and its subsidiary at December 31, 1941, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Ernst,
Certified Public Accountants.

Cleveland, Ohio,
January 13, 1942.

To The Kendall Company:

We have made an examination of the consolidated balance sheet of The Kendall Company and subsidiary companies as at December 27, 1941 and of the consolidated statement of profit and loss and earned surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statement of profit and loss and earned surplus present fairly the consolidated position of The Kendall Company and subsidiary companies at December 27, 1941, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis which, except for the change in method of valuing inventories (which change is explained in note A and has our approval), is consistent with that of the preceding year.

Lybrand, Ross Bros. & Montgomery

Boston, Massachusetts
March 28, 1942

AUDITOR'S CERTIFICATE

THE UNITED STATES FINISHING COMPANY,
Norwich, Connecticut.

We have examined the Consolidated Balance Sheet of The United States Finishing Company and its Subsidiary Companies as at December 31, 1941, and the Consolidated Statements of Profit and Loss and Deficit for the year then ended, have reviewed the system of internal control and the accounting procedures of the Companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying Consolidated Balance Sheet and related Consolidated Statements of Profit and Loss and Deficit present fairly the consolidated position of The United States Finishing Company and its Subsidiary Companies as at December 31, 1941, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles.

BARROW, WADE, GUTHRIE & CO.
Accountants and Auditors.

New York, N. Y.,
May 29, 1942.

St. Louis, Mo., January 21, 1942.

To the Stockholders of
Liggett & Myers Tobacco Company:

The Financial Statement of your Company for the year ended December 31, 1941, is herewith submitted.

Net Sales		$275,103,587.81
Deduct:		
Cost of Sales, Selling, Administrative and General Expenses	$243,445,710.33	
Charge for Depreciation	1,271,985.94	244,717,696.27
Net Operating Profit		30,385,891.54
Add:		
Interest and Dividends received		854,419.08
		31,240,310.62
Deduct:		
Interest on 7% Bonds	642,086.38	
Interest on 5% Bonds	644,330.00	
Premium on 7% Bonds purchased and cancelled	29,947.42	1,316,363.80
Net Income before Federal Taxes		29,923,946.82
Federal Income Tax	8,287,242.23	
Federal Excess Profits Tax	3,786,244.50	12,073,486.73
Net Income for year		17,850,460.09
Four Quarterly Dividends of $1.75 per share each on Preferred Stock		1,461,187.00
		16,389,273.09
Earned Surplus December 31, 1940		52,311,390.57
		68,700,663.66
Four Quarterly Dividends of $1.00 per share each, and one Extra Dividend of $1.00 per share on Common Stock and on Common Stock B		15,684,695.00
Earned Surplus December 31, 1941		$ 53,015,968.66

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1941

ASSETS

Current Assets:		
Cash	$ 9,422,995.44	
Preferred Stocks	2,839,435.00*	
* (Market Value December 31, 1941—$3,170,500.00)		
Accounts Receivable, Customers	12,538,765.08	
Accounts Receivable, Others	976,551.59	
Interest and Dividends Receivable	137,769.20	
Leaf Tobacco, Manufactured Stock and Operating Supplies, at cost	156,044,670.15	$181,960,186.46
Other Assets:		
Real Estate, Machinery and Fixtures	28,827,298.71	
Less Reserve for Depreciation	18,996,169.24	
	9,831,129.47	
Brands, Trade-Marks and Good Will	1.00	
Stock in Subsidiary Company	439,005.00	
Securities—Stocks in Foreign Tobacco Companies	4,476,164.08	
Notes Receivable, due serially	2,350,000.00	
Accounts Receivable—Subsidiary Company	9,585.17	
Deferred Charges	597,070.80	17,702,955.52
		$199,663,141.98

LIABILITIES

Current Liabilities:		
Accrued Interest on 7% and 5% Bonds	$ 429,517.20	
Dividend on Preferred Stock, Payable January 1, 1942	365,296.75	
Accounts Payable	1,964,328.83	
Notes Payable	6,000,000.00	
Accrued Taxes	13,785,771.08	$ 22,544,913.86
Funded Debt:		
7% Bonds, maturing October 1, 1944	9,202,650.00	
5% Bonds, maturing August 1, 1951	12,886,600.00	22,089,250.00
Capital Stock:		
Preferred 7% Cumulative—Par Value $100.00		
Authorized 341,398 Shares		
Issued 225,141 Shares	22,514,100.00	
In Treasury 16,400 Shares	1,640,000.00	
	20,874,100.00	
Common—Par Value $25.00		
Authorized 859,856 Shares		
Issued 859,856 Shares	21,496,400.00	
Common B—Par Value $25.00		
Authorized 3,140,144 Shares		
Issued 2,277,083 Shares	56,927,075.00	99,297,575.00
Special Reserves		2,715,434.46
Earned Surplus December 31, 1941		53,015,968.66
		$199,663,141.98

Respectfully,

BEN CARROLL, Treasurer.

Liggett & Myers Tobacco Company,
St. Louis, Mo.

We have examined the consolidated balance sheet of Liggett & Myers Tobacco Company and its wholly-owned subsidiary company (Turkish leaf buying organization) as of December 31, 1941 and the related statement of income and surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control. The inventories and securities are carried at cost. The accounts of the wholly-owned subsidiary, as in former years, are included as of November 30th.

In our opinion, the accompanying consolidated balance sheet and related statement of income and surplus fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

St. Louis, Mo.
January 20, 1942.

HASKINS & SELLS,
Certified Public Accountants.

Jersey City, N. J., February 6, 1942

To the Stockholders of
P. Lorillard Company,

There is set forth below statement of the financial condition of your Company and Subsidiary Companies for the year ended December 31, 1941.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1941

Gross Sales less discounts, returns and allowances		$83,832,687.04
Cost of Goods Sold, Selling, General and Administrative Expense	$77,509,717.13	
Provision for Depreciation	479,911.24	77,989,628.37
Operating Profit		5,843,058.67
Interest Income, Net		15,359.17
		5,858,417.84
Interest on Bonds Outstanding		687,242.43
		5,171,175.41
Provision for Federal and State Income, Franchise and Capital Stock Taxes	$ 1,715,180.03	
Provision for Excess Profits Tax (Subsidiary Company)	56,000.00	1,771,180.03
		3,399,995.38
Proportion of Net Income applicable to Minority stockholders in Subsidiary Company		16,827.54
Net Income		3,383,167.84
Dividends on Preferred Stock		686,000.00
Balance		$ 2,697,167.84

CONSOLIDATED STATEMENT OF EARNED SURPLUS
DECEMBER 31, 1941

Balance, December 31, 1940		$15,851,200.96
Add:		
Balance, per above statement		2,697,167.84
Refund of Processing Taxes		300,000.00
		18,848,368.80
Deduct:		
Excess cost over par value of 7% Gold Bonds purchased and cancelled during year	$ 18,500.00	
Excess cost over book value of Subsidiary Company's Capital Stock purchased	10,052.70	28,552.70
		18,819,816.10
Dividends on Common Stock		2,246,629.56
Balance, December 31, 1941		$16,573,186.54

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1941

ASSETS

CURRENT ASSETS:			
Cash in banks and on hand		$ 6,891,176.87	
U. S. Treasury Tax Notes Series B		1,000,000.00	
Accounts and Notes Receivable			
Trade	$ 4,652,733.50		
Other	58,680.68		
	4,711,414.18		
Less: Reserve	257,699.73	4,453,714.45	
Inventories at cost			
Leaf Tobacco and Manufactured Stock	$36,357,007.92		
Materials and Supplies	3,572,739.70	39,929,747.62	$52,274,638.94
REAL ESTATE, MACHINERY AND EQUIPMENT:			
As adjusted December 31, 1932 by authorization of stockholders, plus subsequent additions at cost.			
Land		$ 854,758.65	
Buildings		3,956,462.00	
Machinery and Equipment (including leased equipment $621,000)		7,008,293.01	
		11,819,513.66	
Less: Reserve for Depreciation		4,627,356.60	7,192,157.06
NOTES RECEIVABLE AND MISCELLANEOUS INVESTMENT			500,780.00
DEFERRED CHARGES:			
Prepaid Insurance, Advertising and Taxes		$ 187,034.44	
Miscellaneous		42,283.20	229,317.64
BRANDS, TRADEMARKS AND GOODWILL			1.00
			$60,196,894.64

LIABILITIES

CURRENT LIABILITIES:		
Accounts and Drafts Payable	$ 776,687.17	
Accrued Taxes and Expenses	2,518,826.41	
Accrued Interest on Gold Bonds	223,335.62	$ 3,518,849.20
FUNDED DEBT:		
7% Gold Bonds, maturing October 1, 1944	$ 5,386,500.00	
5% Gold Bonds, maturing August 1, 1951	6,195,450.00	11,581,950.00
CAPITAL:		
7% Cumulative Preferred Stock:		
Authorized—99,576 shares of $100 each par value		
Issued —98,000 shares	$ 9,800,000.00	
Common Stock:		
Authorized—5,000,000 shares of $10 each par value		
Issued —1,871,940 shares	18,719,400.00	
Dividend Scrip	3,508.90	28,522,908.90
EARNED SURPLUS, as per statement		16,573,186.54
		$60,196,894.64

Respectfully submitted,
W. J. HALLEY, Treasurer

To the Board of Directors,
P. Lorillard Company,
119 West 40th Street, New York, N. Y.

We have examined the Consolidated Balance Sheet of P. Lorillard Company and its Subsidiary Companies as of December 31, 1941, and the Consolidated Statements of Income and Surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying Consolidated Balance Sheet and related Consolidated Statements of Income and Surplus present fairly the position of P. Lorillard Company and its Subsidiary Companies at December 31, 1941, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

49 Wall Street, New York, N. Y.
February 4, 1942.

Deloitte, Plender, Griffiths & Co.,
Auditors.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
67 BROAD STREET
NEW YORK

APRIL 9, 1942.

ATLANTIC COAST LINE RAILROAD COMPANY,
71 Broadway, New York.

We have examined the balance sheet of Atlantic Coast Line Railroad Company as of December 31, 1941, and the statements of income and profit and loss for the year 1941. In connection therewith, we made a review of the accounting methods of the Company and examined or tested its accounting records and other supporting evidence. Such examination included the verification by count or confirmation from depositaries of the cash and securities owned on December 31, 1941.

The Company's accounts have consistently been kept and its financial statements prepared in accordance with the requirements of the Interstate Commerce Commission.

In our opinion, based upon the ledger value of the investments in affiliated and other companies, the accompanying balance sheet, with the footnotes thereon, and the related statements of income and profit and loss present fairly the financial condition of the Company on December 31, 1941, and the results of its operations for the year ended that date.

HASKINS & SELLS.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

Bangor and Aroostook Railroad Company:

We have examined the balance sheet of Bangor and Aroostook Railroad Company, and the consolidated balance sheet of Bangor and Aroostook Railroad Company and its subsidiaries, as of December 31, 1941, and the related statements and summaries of income and profit and loss for the year ended that date, have reviewed the accounting procedures of the companies and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

In our opinion, the accompanying balance sheets and statements and summaries of income and profit and loss fairly present, in accordance with the requirements of the Interstate Commerce Commission, the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date.

HASKINS & SELLS

New York,
March 12, 1942.

ACCOUNTANTS' CERTIFICATE

The Delaware and Hudson Company:

We have examined the consolidated balance sheet of The Delaware and Hudson Company and its subsidiaries as of December 31, 1941, and the related summaries of consolidated income and surplus for the year ended that date, and (except as to certain subsidiaries not examined by us) have reviewed their accounting procedures and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control. As to the subsidiaries not examined by us, the total assets and gross revenues of which aggregated less than 1% of the consolidated totals, we were furnished with unaudited reports and the figures included in the accompanying statements with respect to such subsidiaries are as shown by such reports.

The parent company has followed the practice, with regard to marketable securities owned, of recognizing losses and gains thereon in the income account as realized and, since December 31, 1939, cost for the purpose of determining such losses and gains has been the market values as of that date, the book values of such securities having been adjusted thereto by a charge to surplus. Unrealized shrinkage in market values at December 31, 1941 ($3,488,289.45) has been shown separately as a deferred charge in the accompanying consolidated balance sheet.

In our opinion, subject to the final disposition of the item mentioned in the preceding paragraph, the accompanying consolidated balance sheet and summaries of consolidated income and surplus fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year, such principles in the case of the railroad subsidiaries being in accordance with the requirements of the Interstate Commerce Commission.

HASKINS & SELLS

New York,
March 7, 1942.

Chicago, Illinois, March 21, 1942.

TO THE GREYHOUND CORPORATION:

We have examined the balance sheet of The Greyhound Corporation and the consolidated balance sheet of that corporation and its principal subsidiaries as of December 31, 1941, and the related statements of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The accounts of the companies and the accompanying financial statements have been classified in accordance with the uniform system of accounts prescribed by the Interstate Commerce Commission.

In our opinion, the accompanying balance sheet of the Corporation, the consolidated balance sheet and the related statements of income and surplus present fairly the position of the companies at December 31, 1941, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN & CO.,
Certified Public Accountants.

To Messrs. G. W. Webster and Joseph Chapman, Trustees,
Minneapolis, St. Paul & Sault Ste. Marie Railway Company,
Minneapolis, Minnesota.

We have examined the Balance Sheet of the Minneapolis, St. Paul & Sault Ste. Marie Railway Company as of December 31, 1941 and the statements of Income and Profit and Loss for the year ended on that date, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying Balance Sheet and related statements of Income and Profit and Loss, with notes thereon, present fairly the position of the Minneapolis, St. Paul & Sault Ste. Marie Railway Company at December 31, 1941 and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except as to the change in stating the Traffic and Car Service Balances as explained in the notes to the Balance Sheet.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.,
April 18, 1942.

AKRON
ATLANTA
BALTIMORE
BIRMINGHAM
BOSTON
BUFFALO
CANTON
CHICAGO
CINCINNATI
CLEVELAND
COLUMBUS
DALLAS
DAYTON
DENVER
DETROIT
FORT WORTH
GRAND RAPIDS
HOUSTON
INDIANAPOLIS
KALAMAZOO
KANSAS CITY
LOS ANGELES
LOUISVILLE
MEMPHIS
MIAMI
MILWAUKEE
MINNEAPOLIS

ERNST & ERNST

ACCOUNTANTS AND AUDITORS

SYSTEM SERVICE

CLEVELAND

UNION COMMERCE BUILDING

NEW ORLEANS
NEW YORK
PHILADELPHIA
PITTSBURGH
PORTLAND, ME.
PROVIDENCE
READING
RICHMOND
ROCHESTER
ST. LOUIS
ST. PAUL
SAN ANTONIO
SAN FRANCISCO
SEATTLE
TOLEDO
WASHINGTON
WINSTON-SALEM
YOUNGSTOWN

TORONTO, CANADA

CORRESPONDENT AT
LONDON

CABLE ADDRESS
"ERNSTAUDIT" N. Y.

April 20, 1942

Board of Directors,

The Wheeling and Lake Erie Railway Company,

Cleveland, Ohio.

We have examined the general balance sheet of The Wheeling and Lake Erie Railway Company as of December 31, 1941, and the statements of income and profit and loss for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Investment in road and equipment property acquired from the predecessor company in 1917 was entered in the records of the Company at amounts representing the par value of capital stock issued therefor and liabilities of the predecessor company assumed in connection therewith. Additions subsequent to that date are at cost and deductions have been made at estimated amounts for retirements to December 31, 1941. The Company has not provided for depreciation of road property, except for one specific item included therein, which procedure is in accordance with established practice.

We corresponded with the depositary banks in confirmation of cash and special deposits and examined securities representing temporary cash investments. Traffic and car service balances and miscellaneous accounts receivable were tested by communication with selected foreign roads. Materials and supplies are included at cost or lower and are based on weights, counts, or measurements made by employees of the Company as of September 30, 1941, and adjusted for intervening transactions to December 31, 1941. We observed procedures employed in ascertaining quantities and tested prices and mathematical computations. Long-term debt obligations were reported to us by the trustees of the respective issues.

Federal income tax returns filed by the Company to and including the year 1939, have been reviewed by the Bureau of Internal Revenue and all assessments paid.

Records maintained at certain freight stations were reviewed by us as of March 23, 1942, and as part of our tests we communicated with selected debtors whose accounts were included in the balance sheets of such stations. We counted cash on hand and supported other items included in the respective station balance sheets.

In our opinion, the accompanying general balance sheet and related statements of income and profit and loss present fairly the position of The Wheeling and Lake Erie Railway Company at December 31, 1941, and the results of its operations for the year, in conformity with accounting principles prescribed by the Interstate Commerce Commission for steam railroads applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

American & Foreign Power Company Inc.,
Two Rector Street,
New York.

We have examined the balance sheet of American & Foreign Power Company Inc. as of December 31, 1941, the consolidated balance sheet of the Company and its subsidiaries as of that date, and the related statements of income and summaries of earned surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control. We have previously regularly examined the accounting records of the Company and those of five subsidiary holding companies from their respective dates of incorporation, but our examinations of the other subsidiaries examined have not been extended to any periods prior to January 1, 1932.

As explained in the president's letter to the stockholders on page 3, the investment of American & Foreign Power Company Inc. in its Chinese subsidiaries has been written off because of the seizure by the Japanese of Shanghai, where the operating properties of these subsidiaries are located, and the balance sheets and operating results of such subsidiaries have been excluded from the consolidated statements for the year 1941; the charging off of the investment and the exclusion of the Chinese subsidiaries from the consolidated statements resulted in a total charge of $5,552,828.59 to the consolidated earned surplus, of which $2,492,956.38 represented the carrying value of the Company's investment and $3,059,872.21 the Company's equity in the accumulated undistributed earnings of the Chinese subsidiaries previously taken up in the consolidated statements.

In our opinion, subject to the adequacy of the companies' appropriations and provisions for property retirement and for additional foreign income taxes that may be assessed against a subsidiary, as to which we are not in a position to express an opinion, the accompanying balance sheets and the related statements of income and summaries of earned surplus, with their footnotes and explanations, fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells
Certified Public Accountants.

April 29, 1942.

ARTHUR ANDERSEN & CO.
120 SOUTH LA SALLE STREET
CHICAGO

To the Board of Directors,
American Light & Traction Company·

We have examined the balance sheet of AMERICAN LIGHT & TRACTION COMPANY (a New Jersey corporation) as of December 31, 1941, the consolidated balance sheet of that company and its subsidiaries as of the same date, and the related statements of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended December 31, 1940.

The company has investments in The Detroit Edison Company and International Paper Company aggregating $54,660,023 which is $30,995,835 in excess of the quoted market value thereof at December 31, 1941. No provisions have been made in the accompanying statements for this excess or for possible permanent decreases in the value of certain investments of the company in subsidiary operating companies which have not been determined.

Subject to the effect of the factors in the preceding paragraph, in our opinion, the accompanying balance sheets and related statements of income and surplus present fairly the position of the companies at December 31, 1941, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
March 4, 1942

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

Accountants' Certificate

AMERICAN POWER & LIGHT COMPANY,
2 RECTOR STREET,
NEW YORK.

We have examined the balance sheet of American Power & Light Company and the consolidated balance sheet of American Power & Light Company and subsidiaries as of December 31, 1941 and the related statements of income for the three-month and twelve-month periods ended December 31, 1941 and 1940, and summaries of earned surplus for the twelve months ended December 31, 1941, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control. We have previously made similar examinations of accounting records of American Power & Light Company since January 1, 1924 and of the subsidiaries since January 1, 1932.

In our opinion, subject to the adequacy of the companies' property retirement and depletion reserve appropriations, as to which we are not in a position to express an opinion, the accompanying balance sheets and statements of income and summaries of earned surplus, with their footnotes and explanations, fairly present the financial condition of the companies for the three-month and twelve-month periods ended December 31, 1941 and 1940, and the changes in earned surplus for the twelve months ended December 31, 1941, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS
Certified Public Accountants.

New York,
April 14, 1942.

CERTIFICATE OF AUDIT

New York, N. Y., February 11, 1942.

To the Stockholders of American Telephone and Telegraph Company:

We have examined the balance sheet of American Telephone and Telegraph Company as at December 31, 1941, the consolidated balance sheet of the company and its principal majority-owned telephone subsidiaries as at December 31, 1941, and the related income statements for the year then ended, have reviewed the systems of internal control and the accounting procedures of the company and its subsidiaries consolidated and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Examinations of similar scope have been made by us of the balance sheets as at December 31, 1941 and of the statements of income and surplus for the year 1941 of the principal majority-owned nonconsolidated subsidiaries of American Telephone and Telegraph Company, except Western Electric Company, Incorporated, and its subsidiaries, and we have reviewed accounting reports for the year 1941 rendered to American Telephone and Telegraph Company by all other majority-owned nonconsolidated subsidiaries. The consolidated balance sheet of Western Electric Company, Incorporated, and its 100% directly-owned subsidiaries as at December 31, 1941 and the consolidated statements of income and surplus of these companies for the year 1941, with certificate of examination thereof by other independent accountants, have been furnished to us.

Reference is made to Note (c) to the accompanying income statement of American Telephone and Telegraph Company and to Note (1) to the accompanying consolidated income statement regarding the inclusion as a miscellaneous deduction from income of a portion of the provision made during the year for employees' service pensions. We concur in the opinion of the companies, expressed in such notes, that properly such items constitute operating expense.

With the explanation appearing in the immediately preceding paragraph, in our opinion, the financial statements (pages 32 to 34) and the consolidated financial statements (pages 25 to 30) present fairly the position at December 31, 1941 and the results of operations for the year 1941 of American Telephone and Telegraph Company and the consolidated position at December 31, 1941 and the consolidated results of operations for the year 1941 of the company and its principal majority-owned telephone subsidiaries, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Lybrand, Ross Bros. & Montgomery

PRICE, WATERHOUSE & CO.

56 PINE STREET

NEW YORK, March 14, 1942

TO THE BOARD OF DIRECTORS OF
AMERICAN WATER WORKS AND ELECTRIC COMPANY, INCORPORATED:

We have examined the balance sheet of American Water Works and Electric Company, Incorporated, the parent company, and of American Water Works and Electric Company, Incorporated, and consolidated subsidiary companies, as of December 31, 1941, and the related statements of income and surplus for the year then ended. In connection with our examination, we reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

As stated in the notes to the consolidated financial statements, the companies operate under the regulatory authority of various State and Federal Commissions. The extent to which the accounts of the companies may be affected by regulatory action on the matters referred to in Notes A and F to the consolidated financial statements is not determinable at present.

In our opinion, subject to the reservation in the preceding paragraph, the accompanying balance sheets and related statements of income and surplus present fairly the position of American Water Works and Electric Company, Incorporated, and of that company and its consolidated subsidiary companies at December 31, 1941, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

LYBRAND, ROSS BROS. & MONTGOMERY
80 FEDERAL STREET
BOSTON

Boston Edison Company,
Boston, Massachusetts.

We have examined the balance sheet of Boston Edison Company as at December 31, 1941 and the statements of income and of surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested the accounting records of the company and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet, subject to the adequacy of the reserve for depreciation shown therein, and the related statements of income and of surplus with the explanations regarding annuities, taxes and other matters in the directors' report which are referred to in the financial statements present fairly the position of Boston Edison Company at December 31, 1941 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Boston, Massachusetts.
February 18, 1942

Lybrand, Ross Bros & Montgomery

ARTHUR ANDERSEN & CO.

67 Wall Street
New York

TO THE STOCKHOLDERS OF
THE BROOKLYN UNION GAS COMPANY:

We have examined the balance sheet of The Brooklyn Union Gas Company (a New York corporation) as of December 31, 1941, and the statements of income and surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

On February 19, 1942, the stockholders approved a reduction in common stock capital of the Company and against the capital surplus thereby created, together with the balance in earned surplus at October 31, 1941, were charged additional appropriations to reserves and net write-offs of acquisition adjustments and franchises. The effect of these transactions is reflected in the accompanying pro forma balance sheet and the financial position of the Company at December 31, 1941, is subject thereto.

Subject to the comments in the preceding paragraph, in our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of The Brooklyn Union Gas Company at December 31, 1941, and the results of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.
February 20, 1942.

PRICE, WATERHOUSE & CO.

56 PINE STREET

NEW YORK February 19, 1942

To the Board of Directors of

Central Hudson Gas & Electric Corporation

We have examined the balance sheet of Central Hudson Gas & Electric Corporation as of December 31, 1941 and the statements of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the corporation and, without making a detailed audit of the transactions, have examined or tested accounting records of the corporation and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The Company has transferred $293,086.43 to adjustment accounts as prescribed by the Public Service Commission of the State of New York to record the difference between the book cost of its property and the original cost as defined by the Commission. The Company estimates that the total amount to be so transferred should not exceed $500,000. No determination has been made of the ultimate disposition of amounts transferred to such adjustment accounts.

In our opinion, with the foregoing explanation, the accompanying balance sheet and related statements of income and surplus present fairly the position of Central Hudson Gas & Electric Corporation as at December 31, 1941 and the result of its operations for the year 1941 in conformity with generally accepted principles of accounting applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co

PEAT, MARWICK, MITCHELL & CO.

Certified Public Accountants

ACCOUNTANTS' REPORT

To the President and Board of Directors,
Cities Service Company,
New York, N. Y.

We have examined the Balance Sheets of Cities Service Company and of certain of ~~its~~ subsidiary companies as of December 31, 1941 and their related Income and Surplus Accounts for the year ~~then~~ ended, have reviewed the system of internal control and the accounting procedures of these companies and, *without making a detailed audit* of the transactions, have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. As regards the other subsidiary companies (some of major importance), whose accounts are incorporated in the accompanying consolidated financial statements, we have been furnished with the reports of other firms of accountants.

In our opinion, based upon our examination and on the accounts and information furnished to us, and subject to the adequacy of the appropriation for the year and of the accumulated reserves in respect of depreciation and replacements, the accompanying Balance Sheets and related Income and Surplus Accounts, together with the notes appended thereto, present fairly (1) the position of Cities Service Company and Subsidiary Companies (on a consolidated basis) at December 31, 1941 and the results of their combined operations for the year and (2) the position of Cities Service Company (corporate) at December 31, 1941 and the results of its operations for the year, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year apart from the changes, of which we approve, in accounting policy effective January 1, 1941 as explained in the notes to the income accounts.

New York, N. Y.,
March 25, 1942.

PEAT, MARWICK, MITCHELL & CO.

ARTHUR ANDERSEN & CO.

67 WALL STREET
NEW YORK

To the Stockholders of
Columbia Gas & Electric Corporation:

We have examined the balance sheets of Columbia Gas & Electric Corporation (a Delaware corporation) and the consolidated balance sheet of that corporation and its consolidated subsidiary companies as of December 31, 1941, and the related statements of income and surplus for the year then ended. We have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

As of date of recapitalization, December 31, 1937, substantial reductions were made in the carrying value of certain investments, certain losses were written off, and certain estimated unrealized losses were reserved against, but these adjustments did not contemplate a determination of the value of the Corporation's investments at that date. The status of the investment accounts and of the special surplus accounts cannot be settled until there has been a determination of the unrealized losses, if any, in the investment accounts at December 31, 1937, as discussed further in note 4 to the financial statements. The management represents that the special surplus is adequate to provide for such adjustments as may finally result.

The excess of the combined investments of the Corporation in its subsidiary companies over the underlying book values thereof at dates of acquisition is $2,799,329.87 without reflecting the adjustments that would result if the plant accounts of the subsidiary companies were restated on the basis of "cost" or "original cost" (cost to the person first devoting such plant to public use); see note 1 to the financial statements. The companies estimate that the stated value of plant did not exceed "original cost" at December 31, 1937, by more than $113,000,000 and of this amount one subsidiary, which has filed its "original cost" reports with the Federal Power Commission, has proposed to write off $14,300,000 by charges to retirement reserve and special surplus.

In general, the subsidiary companies follow the retirement reserve method in providing for plant retirements. The provisions for retirements are based, in general, upon rates per kilowatt hour of electric sales and per M cubic feet of gas sales and for depletion on rates per M cubic feet of gas produced or sold. These rates have been changed when, in the judgment of the management, such changes are necessary to meet reserve requirements. Information is not available to compare the amounts provided under this retirement method with those which would be determined by the depreciation and depletion methods of accounting.

Federal income and excess-profits taxes have not been finally determined for the years beginning with 1933 and, pending completion of additional supporting data, provisions for such taxes since that date have been made on the basis of estimates by the management.

Various suits involving substantial amounts are mentioned in note 5 to the financial statements. The effect of the adjudication of such suits upon the financial position of the companies cannot be determined at this time.

Subject to the effect of the factors described in the preceding five paragraphs, in our opinion, the accompanying balance sheets and related statements of income and surplus present fairly the position of the companies at December 31, 1941, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
February 25, 1942.

ARTHUR ANDERSEN & CO.

67 Wall Street
NEW YORK

To the Board of Directors,
The Commonwealth & Southern Corporation:

We have examined the balance sheet of The Commonwealth & Southern Corporation (a Delaware corporation), the consolidation of balance sheets of that corporation and its subsidiary companies as of December 31, 1941 and the related statements of income and surplus for the year then ended, after giving effect to the transactions set forth in Note 2 to the consolidation of balance sheets. We have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

As indicated in Note 1 to the Corporation's balance sheet the determination of the cost of certain investments that have been liquidated has been made by the Board of Directors.

Subsequent to December 31, 1940, several of the subsidiary companies made substantial adjustments to their utility plant, depreciation reserves, preferred stock capital, and other accounts by charges to capital surplus created by the reduction of their common stock capital or to surplus that existed or was paid in as of the dates of acquisition of the Corporation's investments in stock of such subsidiary companies. In making these adjustments the boards of directors of such subsidiaries stated they were not made to reflect changes in the value of their assets since acquisition. The Corporation made no changes in the carrying value of its investments, its Board of Directors believing it to be impractical at this time to determine whether there has been any permanent shrinkage in the value of the Corporation's investments that should be reflected in the carrying value thereof. In consolidation the amounts of such adjustments have been added to the "Net excess at which investments in securities of subsidiary companies are carried on the books of the owning companies, less reserves therefor, over the adjusted underlying book value thereof, exclusive of earned surplus since dates of acquisition".

As discussed in Note 3(b) to the consolidation of balance sheets, in general, the final accounting for the excess of cost, in cash and securities, of properties over the "original cost" thereof has not been determined.

As indicated in Note 2 to the Corporation's balance sheet the ultimate effect on the financial statements of the pending proceedings under the provisions of the Public Utility Holding Company Act of 1935 is not known.

Subject to the effect of the factors described in the four preceding paragraphs and to the adequacy of the consolidated provisions and reserves for depreciation and retirements, in our opinion, the accompanying balance sheets and related statements of income and surplus present fairly the position of the companies at December 31, 1941 (after giving effect to the transactions set forth in Note 2 to the consolidation of balance sheets), and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

(Signed) ARTHUR ANDERSEN & CO.

New York, N. Y.,
May 5, 1942.

PRICE, WATERHOUSE & CO.

56 PINE STREET

NEW YORK, March 14, 1942.

TO THE BOARD OF DIRECTORS OF
COMMUNITY WATER SERVICE COMPANY:

We have examined the balance sheet of Community Water Service Company, the parent company, and of Community Water Service Company and consolidated subsidiary companies as at December 31, 1941, and the related statements of income and surplus for the year then ended. In connection with our examination, we reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

As stated in the notes to the consolidated financial statements, the companies operate under the regulatory authority of various State and Federal Commissions. The extent to which the accounts of the companies may be affected by regulatory action on the matters referred to in Notes B and G to the consolidated financial statements is not determinable at present.

In our opinion, subject to the reservation in the preceding paragraph, the accompanying balance sheets and related statements of income and surplus present fairly the position of Community Water Service Company and of that company and its consolidated subsidiary companies at December 31, 1941, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

PRICE, WATERHOUSE & CO.

56 PINE STREET

NEW YORK February 2, 1942

To the Board of Trustees and Stockholders of
Consolidated Edison Company of New York, Inc.:

We have examined the balance sheet of Consolidated Edison Company of New York, Inc. and its subsidiary companies and of Consolidated Edison Company of New York, Inc. (separately) as of December 31, 1941, and the related statements of income and surplus for the year then ended. In connection with our examination we have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested the accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

As referred to in Note D of the notes to the financial statements, the question of the disposition of the balance in "plant acquisition adjustments" account remains undetermined. With this explanation and subject to the adequacy of the reserve for depreciation, the accompanying balance sheets and related statements of income and surplus, together with the notes appended thereto, in our opinion present fairly the position of the company and its subsidiary companies (consolidated) and of the company (separately) at December 31, 1941, and the results of their operations for the year 1941, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price, Waterhouse & Co.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

CONSOLIDATED ELECTRIC AND GAS COMPANY:

We have examined the balance sheet of Consolidated Electric and Gas Company, and the consolidated balance sheet of the Company and consolidated subsidiaries, as of December 31, 1941, and the related statements of income, earned surplus and revaluation reserves for the year ended that date, have reviewed the accounting procedures of the companies and have examined their accounting records and other evidence in support of such financial statements, except that as to certain operating subsidiaries having approximately one-third of the consolidated assets and gross operating revenues (whose accounts we have regularly examined for twelve-month periods ending October 31), our examination for the two months ended December 31, 1941 consisted of a review of their financial statements supplemented by such verifications as could be made at the office of the Parent Company. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

We did not make any examination of the Spanish subsidiaries (Gas y Electricidad, S. A. and Union Electrica de Canarias, S. A.) and the Philippine subsidiary (Manila Gas Corporation), which are included in the consolidated balance sheet as investments, nor did we verify by examination or confirmation the common capital stock of Union Electrica de Canarias, S. A., which is held in the Canary Islands.

In our opinion, subject to the valuation of utility plant and investments (see Notes 1 and 2, Page 14, and Note 1, Page 16), and to the adequacy of the provisions and reserves for retirements of property as to which we are not in a position to express an opinion, and except that certain debt discount and expense has been written off in advance with a consequent reduction of amortization charges against income (see Note 9, Page 14 and Note 4, Page 17), the accompanying balance sheets and statements of income and earned surplus and revaluation reserves, with their notes, fairly present the financial condition of the Company, and of the Company and its consolidated subsidiaries, at December 31, 1941, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year, except that the Philippine subsidiary was consolidated in 1940 and excluded in 1941, which change, in our opinion, was proper.

HASKINS & SELLS

New York, March 31, 1942.

Lybrand, Ross Bros. & Montgomery
ACCOUNTANTS AND AUDITORS

NEW YORK	DETROIT	DALLAS
PHILADELPHIA	CLEVELAND	HOUSTON
CHICAGO	CINCINNATI	SAN FRANCISCO
BOSTON	ROCKFORD	LOS ANGELES
BALTIMORE	LOUISVILLE	SEATTLE
WASHINGTON	ST. LOUIS	——
PITTSBURGH	ATLANTA	LONDON

To the Stockholders of
Consolidated Gas Electric Light and Power Company of Baltimore:

We have examined the consolidated balance sheet of Consolidated Gas Electric Light and Power Company of Baltimore and The Maryland Counties Gas Company, a wholly owned subsidiary, as at December 31, 1941, and the related consolidated statements of operations and surplus for the year 1941, have reviewed the systems of internal control and the accounting procedures of the Companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Reference is made to Note A to the accompanying financial statements regarding the Company's practice of adjusting power costs through the Hydro Equalization account. The reasonableness of such adjustments (and of the resulting deferred debit amounting to $2,062,976.43 at December 31, 1941) as charges or credits to future operations is dependent primarily upon the variations in the usable flow of the Susquehanna River throughout the period of the purchase contracts, referred to in the note, offsetting one another. The Company, however, limits the absorption of resulting debits or credits in operating expenses to a period of ten years following the year in which each debit or credit occurs.

With the explanation appearing in the immediately preceding paragraph, in our opinion, subject to the adequacy of the provisions for depreciation, the accompanying consolidated balance sheet and related consolidated statements of operations and surplus present fairly the consolidated position of Consolidated Gas Electric Light and Power Company of Baltimore and its wholly owned subsidiary at December 31, 1941 and the consolidated results of their operations for the year 1941, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Baltimore, Maryland,
January 23, 1942.

Lybrand Ross Bros. & Montgomery

PRICE, WATERHOUSE & CO.

RESIDENT PARTNER:
A. J. BLOODSWORTH
CERTIFIED PUBLIC ACCOUNTANT

PENOBSCOT BUILDING

DETROIT

February 17, 1942

To the Board of Directors and
Stockholders of
The Detroit Edison Company:

We have examined the balance sheet of The Detroit Edison Company and the balance sheet of The Detroit Edison Company and its subsidiary companies, consolidated, as of December 31, 1941, and the statements of income and earned surplus of The Detroit Edison Company and The Detroit Edison Company and its subsidiary companies, consolidated, for the year then ended. In connection with our examination we reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The amounts provided for retirement (depreciation) expense for the years ended December 31, 1941 and 1940 were $9,142,409.29 (of which $142,409.29 was charged to miscellaneous accounts) and $8,895,418.02 (of which $145,418.02 was charged to miscellaneous accounts), respectively.

As permitted by orders of the Michigan Public Service Commission the company's policy with respect to accounting for unamortized debt discount, call premium and redemption expense of $5,994,021.58 applicable to refunded bonds and premiums of $4,122,322.05 received on the refunding issues was changed effective December 31, 1941 by charging the net balance of $1,871,699.53 in such accounts at that date to earned surplus account. This change did not affect the income account for the year 1941.

On March 1, 1941 the Series D General and Refunding mortgage bonds maturing on February 1, 1961 were called for redemption and, as permitted by an order of the Michigan Public Service Commission, the unamortized debt discount and expense on the Series D bonds was charged to income account for the year 1941 which is a change in policy from the preceding year. Such change, which we consider proper, had the effect of reducing the income account for the year 1941 by approximately $664,000.

In our opinion, the accompanying balance sheets and related statements of income and earned surplus present fairly the position of The Detroit Edison Company and The Detroit Edison Company and its subsidiary companies, consolidated, at December 31, 1941, and the results of the operations of The Detroit Edison Company and The Detroit Edison Company and its subsidiary companies, consolidated, for the year, in conformity with generally accepted accounting principles which, with the exception of the changes referred to in the two preceding paragraphs, have been applied on a basis consistent with that of the preceding year.

Price, Waterhouse & Co.

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS
430 SEVENTH AVENUE
PITTSBURGH

CABLE ADDRESS "ARTHYOUNG"
NEW YORK
CHICAGO
PITTSBURGH
KANSAS CITY
MILWAUKEE
LOS ANGELES
DALLAS
TULSA
LONDON, ENGLAND

March 2, 1942

The President and Board of Trustees,
Eastern Gas and Fuel Associates,
Boston, Massachusetts.

We have examined the Consolidated Balance Sheet of Eastern Gas and Fuel Associates, a Massachusetts Voluntary Association, and its subsidiaries as of December 31, 1941 and its Consolidated Profit and Loss Statement and Surplus Account for the year then ended, have reviewed the system of internal control and the accounting procedures of all the companies consolidated therein, with the exception of the two public utility subsidiaries, and without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. On the two public utility subsidiaries, Boston Consolidated Gas Company and Old Colony Gas Company, which were not examined by us, we have had submitted to us audit reports of other independent accountants covering the examination made by them of such companies.

No provision has been made for the unrealized depreciation in the value of listed securities.

The basis of value of the property and equipment assets and the amounts provided for depreciation, depletion and retirements (public utility companies) and the basis of these provisions are set forth in the accompanying notes applying to the Consolidated Balance Sheet and Consolidated Profit and Loss Statement.

Subject to the adequacy of the year's provision for utility retirements and the accumulated reserves therefor (see note 1 for the basis of provision), it is our opinion that the accompanying Consolidated Balance Sheet and Consolidated Profit and Loss Statement and Surplus Account present fairly the consolidated position of Eastern Gas and Fuel Associates and its subsidiaries at December 31, 1941 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change explained in note 5 as to dividends received from an affiliate which change has our approval

ARTHUR YOUNG & COMPANY

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

ELECTRIC POWER & LIGHT CORPORATION,
2 Rector Street,
New York.

We have examined the balance sheet of Electric Power & Light Corporation and the consolidated balance sheet of Electric Power & Light Corporation and subsidiaries as of December 31, 1941 and the related statements of income for the one-month, three-month, and twelve-month periods ended December 31, 1941 and 1940 and summaries of earned surplus for the twelve months ended December 31, 1941, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control. We have previously made similar examinations of accounting records of Electric Power & Light Corporation from the date of incorporation, March 11, 1925, of United Gas Corporation and subsidiaries for varying consecutive periods subsequent to January 1, 1930, and of the other subsidiaries since January 1, 1932.

Provisions by Dallas Railway & Terminal Company for retirement of owned and leased property are made under the regulatory authority of the City of Dallas, Texas, in which the company operates but prior to 1941 were insufficient to leave a balance in the reserve for retirement of property (including property abandoned). The practice of United Gas Corporation and subsidiaries has been (1) to make such appropriations to property retirement and depletion reserves from current income as are considered by the management necessary to provide for retirements (including lease abandonments and the cost of dry holes and non-productive exploratory drilling) when they occur rather than on the basis of estimated useful lives of the individual units of depreciable property or sustained depletion of gas and oil reserves, (2) to account for gas and oil lease costs, renewals, and rentals by charges therefor to fixed capital and thence, upon surrender or abandonment, to property retirement and depletion reserves rather than by amortization of costs and renewals over the terms of the leases and by direct charges to operations for rentals, and (3) to charge the cost of dry holes and non-productive exploratory drilling to the retirement and depletion reserves rather than direct to operations. Utah Light and Traction Company has made no provision for the retirement of its street railway property, the retirements or abandonments of which are charged direct to surplus when effected in its accounts.

In our opinion, subject to the adequacy of the companies' property retirement and depletion reserve appropriations and to the related effect of the accounting practices set forth in the preceding paragraph, as to which we are not in a position to express an opinion, the accompanying balance sheets and statements of income and summaries of earned surplus, with their footnotes, fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the periods shown by the respective statements, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

Haskins & Sells
Certified Public Accountants

New York,
April 13, 1942.

REPORT OF ACCOUNTANTS

LYBRAND, ROSS BROS. & MONTGOMERY
CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK, N. Y.

To the Stockholders of
ENGINEERS PUBLIC SERVICE COMPANY:

We have examined the balance sheet of Engineers Public Service Company and the consolidated balance sheet of that Company and its subsidiary companies as at December 31, 1941, and the related statements of income and earned surplus for the year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, subject to the adequacy of the provisions for depreciation, the accompanying balance sheet and related statements of income and earned surplus of the Parent Company, and consolidated balance sheet and related consolidated statements of income and earned surplus of the Parent Company and its subsidiary companies, present fairly the position at December 31, 1941 and the results of operations for the year then ended of Engineers Public Service Company and of the affiliated group, respectively, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 9, 1942.

ARTHUR ANDERSEN & CO.

Accountants and Auditors

67 Wall Street

New York

To the Board of Directors,

Federal Water and Gas Corporation:

We have examined the balance sheet of Federal Water and Gas Corporation (a Delaware corporation), the consolidated balance sheet of that company and subsidiary companies consolidated, the consolidated balance sheets of Pennsylvania Water Service Company and subsidiary companies and New York Water Service Corporation and subsidiary companies consolidated, all as of December 31, 1941, and the related statements of income and surplus for the year then ended. We have reviewed the systems of internal control and the accounting procedures of the companies (except Southern Natural Gas Company and subsidiary companies the financial statements of which were examined by other independent accountants) and, without making detailed audits of the transactions, have examined or tested accounting records of such companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examinations were made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. Other independent accountants have examined the financial statements of Southern Natural Gas Company and subsidiary companies and these statements have been included in the accompanying consolidated financial statements on the basis of their report.

Unamortized debt discount and expense of New York Water Service Corporation and subsidiary company consolidated aggregating $1,251,834 was charged in 1929 and 1930, by action of the Boards of Directors, to capital surplus, resulting in the elimination of subsequent charges to income and earned surplus aggregating approximately $739,600 to December 31, 1941 including charges of approximately $52,500 applicable to income for the year 1941.

The operating subsidiaries of Pennsylvania Water Service Company and certain relatively minor operating subsidiaries of Federal Water and Gas Corporation follow the practice of providing for retirements and replacements of property. The remaining companies follow depreciation accounting, but in certain cases the companies have not completed final determination of their depreciation requirements.

Subject to the comments in the two next preceding paragraphs and to such adjustments as may result from final determination of original cost of utility plant and of depreciation requirements referred to in Notes 1, 3, 4, and 5 appended to the consolidated balance sheets, in our opinion, based upon our examinations and upon acceptance of the report of other independent accountants covering the companies we did not examine, the accompanying balance sheets and related statements of income and surplus present fairly the financial position of the companies at December 31, 1941 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on bases which, except for changes incident to the reorganization of Federal Water and Gas Corporation as of October 31, 1941 and the elimination from consolidation of one subsidiary company of New York Water Service Corporation, were consistent with those of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
January 27, 1942.
(Released March 18, 1942.)

» INTERNATIONAL HYDRO-ELECTRIC SYSTEM «

ACCOUNTANTS' REPORT

To the Board of Directors of
International Hydro-Electric System:

We have examined the balance sheet of International Hydro-Electric System as at December 31, 1941, the consolidated balance sheet of International Hydro-Electric System and subsidiary companies as at that date, and the related statements of profit and loss and deficit for the year then ended. In connection with our examination, we reviewed the systems of internal control of the parent company and its domestic subsidiaries and, without making a detailed audit of the transactions, examined or tested accounting records of such companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. Also, we have been furnished with consolidated financial statements for 1941 of the foreign (Canadian) subsidiaries of International Hydro-Electric System, together with the report thereon of Canadian chartered accountants.

The report of the Canadian chartered accountants includes the following statement:

> Under the Dominion Excess Profits Tax Act, Gatineau Power Company has made application to the Minister of National Revenue for a reference to the Board of Referees to determine the standard profits of that Company. Pending decision by the Board of the company's claim, Dominion income and excess profits taxes for the year 1940 of Gatineau Power Company were provided and paid at the minimum rate of thirty per cent, and provision has been made for the year 1941 at the minimum rate of forty per cent.

As explained in note 5 (page 22), the amount of additional Dominion excess profits taxes, if any, for the years 1940 and 1941 is not as yet determinable.

Subject to such additional provision, if any, for Dominion excess profits taxes as may be required by the decision of the Board of Referees referred to above, and subject to the adequacy of the current provisions and accumulated reserves for depreciation, in our opinion, based on our examination and the aforesaid report of the Canadian chartered accountants, the accompanying financial statements (pages 16 to 32) present fairly the position at December 31, 1941 and the results of operations for the year 1941 of the parent company and of the consolidated group, respectively, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Lybrand, Ross Bros. & Montgomery.

New York, N. Y.
April 27, 1942.

PRICE, WATERHOUSE & CO.

56 PINE STREET
NEW YORK, FEBRUARY 19, 1942

To the Board of Directors of
Long Island Lighting Company

We have examined the balance sheet of Long Island Lighting Company and of that company and its subsidiary companies (consolidated) as of December 31, 1941, and the related statements of income and earned surplus for the fiscal year then ended. We have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Long Island Lighting Company and its electric and gas subsidiaries operate under the jurisdiction of the Public Service Commission of the State of New York. There are pending before the Commission proceedings involving the accounts of the companies which will, upon their conclusion, have a material effect upon the financial statements. These proceedings include the following:

Under the uniform system of accounts, the companies are required to notify the Commission as to their programs for depreciation, amortization or other disposition of the amounts (see Note a to the financial statements) included in plant acquisition adjustments account.

The Commission has indicated that certain substantial charges, now on the books of the companies, and a part of the original cost to the companies, should be written off; and in connection therewith has proposed that the Long Island Lighting Company's investments in its subsidiary companies should be written down to nominal amounts.

Deferred expenses in connection with inventories of utility plant and in proceedings before the Commission are being amortized in the accounts so as to write off the entire cost by 1951 under a policy determined by the officials of the companies that is subject to review by the Commission. Amortization of the deferred expenses during the year 1941, amounting to $173,395 (Company separately, $122,816), was charged to operating expenses. In their Federal income tax returns the companies are writing off these expenses over five and ten-year periods, and for 1941 are deducting $181,820 (Company separately, $106,351).

Contributions received in prior years for extensions of service in the amount of $455,000 (Company separately, $425,000) have been credited to earned surplus, whereas the present uniform system of accounts requires that such contributions be credited to an account entitled "Contributions in Aid of Construction".

In our opinion, subject to the matters set forth in the preceding paragraphs and to the adequacy of the annual provisions and the accumulated reserves for depreciation, the accompanying balance sheets and related statements of income and earned surplus, together with the notes appended thereto, present fairly the position of Long Island Lighting Company and of the Company and its subsidiary companies (consolidated) at December 31, 1941, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

NORTHWESTERN BANK BUILDING

MINNEAPOLIS

ACCOUNTANTS' CERTIFICATE

MINNEAPOLIS GAS LIGHT COMPANY:

We have examined the balance sheet of Minneapolis Gas Light Company as of December 31, 1941 and the related statement of income and summary of surplus for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. We have previously made similar examinations for the years 1937 through 1940, but our examinations have not been extended to periods prior to January 1, 1937.

In our opinion, subject to the adequacy of the Company's provisions for property retirements and replacements, as to which we are not in a position to express an opinion, the accompanying balance sheet and related statement of income and summary of surplus, with their footnotes and explanations, fairly present the financial condition of the Company at December 31, 1941 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices (but on the basis of the procedure described in the last paragraph of Note C to the balance sheet) applied on a basis consistent with that of the preceding year.

HASKINS & SELLS.

Minneapolis,
April 14, 1942.

LYBRAND, ROSS BROS. & MONTGOMERY
80 FEDERAL STREET
BOSTON

New England Power Association,
Boston, Massachusetts.

We have examined the balance sheets of New England Power Association and of New England Power Association and subsidiaries consolidated as at December 31, 1941 (with the schedules of funded debt and capital stocks annexed) and the related statements of income and earned surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, subject to the adequacy of the provisions shown for depreciation, said financial statements present fairly the position of New England Power Association as at December 31, 1941, the position of New England Power Association and subsidiaries consolidated as at December 31, 1941 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Boston, Massachusetts
April 3, 1942

Lybrand, Ross Bros. & Montgomery

PRICE, WATERHOUSE & CO.

60 PINE STREET

NEW YORK March 4, 1942

To the President and the Board of Directors of

Niagara Hudson Power Corporation

We have examined the balance sheet of Niagara Hudson Power Corporation and the balance sheet of Niagara Hudson Power Corporation and its subsidiary companies, consolidated, as of December 31, 1941, and the related statements of income and surplus for the year then ended. In connection with our examination we have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested the accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The extent to which the accounts of the companies may ultimately be affected as a result of regulatory action on the matters referred to in Notes 7 and 8 of the notes to the consolidated financial statements is not determinable at present. With this exception, the accompanying balance sheets and related statements of income and surplus, together with the notes thereto, in our opinion present fairly the position of Niagara Hudson Power Corporation and Niagara Hudson Power Corporation and its subsidiary companies, consolidated, at December 31, 1941, and the results of their operations for the year 1941, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price, Waterhouse & Co

PRICE, WATERHOUSE & CO.

56 PINE STREET
NEW YORK March 16, 1942

To THE STOCKHOLDERS AND
THE BOARD OF DIRECTORS OF
THE NORTH AMERICAN COMPANY

We have made an examination of the balance sheet of The North American Company and the consolidated balance sheet of The North American Company and subsidiaries as of December 31, 1941 and of the related statements of income and earned surplus for the year 1941. In connection therewith we have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods, at times and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Reference is made to page 7 of the President's report for comments on the general position of The North American Company under the Public Utility Holding Company Act.

The consolidated statements have been prepared this year on the same basis as in the preceding year, as explained in the notes to the financial statements under "Principles of Consolidation" where reference is made to the inclusion of North American Light & Power Company, the liquidation of which was ordered by the Securities and Exchange Commission on December 30, 1941, under plans to be submitted to the Commission for approval before any steps can be taken. An amount of $20,000,000 has been appropriated out of earned surplus for "Reserve for Investments" to include possible losses in the eventual liquidation of North American Light & Power Company.

The aggregate amount of "intangibles" included in property and plant accounts has not been finally determined. However, as explained in Note J to the financial statements, reports filed to date by subsidiaries of completed studies covering property carried on the books at approximately $429,500,000 show approximately $30,500,000 assignable to intangible plant accounts and plant adjustment accounts. The proposals of the companies and of the Commissions with respect to part of the latter amount are also set forth in Note J.

In our opinion, the balance sheets and related statements of income and earned surplus as supplemented by the notes and schedules appended thereto, on pages 12 to 26, inclusive, present fairly, in conformity with accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year, (1) the position of The North American Company at December 31, 1941 and the results of its operations for the year 1941, and (2) the position of The North American Company and subsidiaries, consolidated, at December 31, 1941 and the results of their operations for the year 1941.

PRICE, WATERHOUSE & CO.

AUDITORS' REPORT

To the Stockholders,

Northern States Power Company (Delaware):

We have examined the balance sheet of Northern States Power Company (a Delaware corporation), hereinafter referred to as the Company, as of December 31, 1941, and the statements of income and surplus for the fiscal year then ended. We have also examined the consolidated balance sheets of the Company and subsidiary companies and of Northern States Power Company (a Minnesota corporation) and subsidiary companies as of December 31, 1941, and the related statements of income and surplus for the fiscal year then ended. In connection therewith, we have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examinations were made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Northern States Power Company (Minnesota) and subsidiary companies have made detailed studies of the original cost of plant and equipment and have made allocations as between tangible property and intangibles upon the basis of such studies. We have not made an examination of the companies' determination of the original cost of plant and equipment or their segregation of plant and equipment as between tangible property and intangibles.

As shown in the summary of paid-in surplus of Northern States Power Company (Minnesota) and subsidiary companies, Northern States Power Company (Minnesota), in connection with the merger of that company with its subsidiary, The Minneapolis General Electric Company, and, in accordance with an order of the Securities and Exchange Commission dated July 22, 1941, provided a reserve of $3,398,908.57 by a charge to paid-in surplus for possible adjustment of intangibles. This amount was equivalent to the excess of the adjusted cost of its investment at date of its recapitalization in the securities of The Minneapolis General Electric Company over the underlying book value thereof at that date.

In the opinion of the officers of Northern States Power Company (Minnesota) this excess of $3,398,908.57 represented a part of the necessary and prudent cost of its investment in the securities of The Minneapolis General Electric Company and the reserve of $3,398,908.57 was provided by Northern States Power Company (Minnesota) only because the provision of such a reserve was, by the order of the Securities and Exchange Commission, made a condition precedent to the merger with The Minneapolis General Electric Company. Accordingly the Northern States Power Company (Delaware) has not considered it essential to give recognition to this reserve in its accounts. In our opinion, it would have been preferable to give such recognition in the balance sheet of Northern States Power Company (Delaware) and in the consolidated balance sheet of that company and its subsidiary companies.

A plan of recapitalization of the Company was approved at a regular meeting of the Securities and Exchange Commission held on December 27, 1938. This plan provided for a reduction of the capital represented by the Class A and Class B common stocks from $41,446,763.33 to $8,538,775.00, for recording as of January 2, 1938 the paid-in surplus of $32,907,988.33 arising from this reduction and for the charging off thereagainst of the deficit of $29,938,113.57 in earned surplus account as of that date. In the opinion of our counsel, the reduction in capital, referred to above, was effective coincident with the filing of the statement of reduction of capital with the Secretary of State of the State of Delaware on December 28, 1938 and, therefore, in our opinion, the entry recording the creation of paid-in surplus in an amount of $32,907,988.33 might more properly have been recorded as of December 28, 1938, the deficit in earned surplus charged to paid-in surplus have been determined as of December 31, 1938 rather than as of January 2, 1938, and the earned surplus of subsidiary companies at December 31, 1938 ($1,245,733.90) have been reflected in the consolidated balance sheet as capital surplus.

Subject to the comments in the four preceding paragraphs and to the adequacy of the current provision and reserve for depreciation, in our opinion, the accompanying balance sheets and related statements of income and surplus present fairly the position of the companies at December 31, 1941, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Minneapolis, Minnesota, March 16, 1942.

ACCOUNTANTS' CERTIFICATE

The Board of Directors of Pacific Gas and Electric Company:

We have examined the consolidated balance sheet of Pacific Gas and Electric Company and its subsidiary companies as of December 31, 1941, the related statements of consolidated net income and consolidated surplus for the year ended that date, and the balance sheet of Pacific Gas and Electric Company as of December 31, 1941, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

In our opinion, the accompanying balance sheets and statements of consolidated net income and surplus, with their footnotes, fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

Haskins & Sells.

San Francisco, March 5, 1942.

ARTHUR ANDERSEN & CO.
120 South La Salle Street
CHICAGO

To the Board of Directors of
The Peoples Gas Light and Coke Company:

Pursuant to authorization by the Board of Directors, we have examined the balance sheet of The Peoples Gas Light and Coke Company (an Illinois corporation, organized in 1855) as of December 31, 1941, the consolidated balance sheet of that company and its subsidiary companies as of that date, and the related statements of income and surplus for the year then ended. We have also reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year 1940.

The charges to the property accounts during 1941 were reviewed by us to the extent necessary to determine that they represent proper capital charges. Insofar as we could ascertain from our examination, and as represented to us by the management, all items of property which were retired, sold, or otherwise disposed of have been credited to the property accounts in the amounts at which they were carried therein.

The bonds, notes, stock certificates, etc. evidencing the investments owned at December 31, 1941, and the collateral thereto, were inspected or otherwise satisfactorily accounted for by our representatives.

Cash in banks, as shown by the records, was reconciled with the balances reported to us by the depositaries. Cash on hand was not counted by us but was found to be in agreement with amounts shown on the bank statements as having been deposited on January 2, 1942. Working funds were confirmed by correspondence with the custodians thereof. Test-checks of the detailed ledgers of customers' accounts indicated that the totals of the individual balances were in agreement with the controlling accounts, and representative balances, including the larger industrial accounts, were confirmed by correspondence with the debtors. In our opinion, based on our review of the receivables, the reserve for uncollectible items appears adequate to cover any losses that may be sustained in the collection of the receivables at December 31, 1941.

We reviewed the procedures followed by the companies in controlling and accounting for materials and supplies and made sufficient test-checks of the perpetual inventory records maintained by the company to satisfy ourselves that the established procedures were being followed, that the detailed records were in agreement with the related control accounts, that the basis of pricing was average cost (or, in the case of by-products, estimated net realizable values), and that the records had been adjusted to reflect the quantities shown by physical inventories taken during the year by company employes other than those who have custody of the materials and supplies. We did not verify the quantities, but our representatives were present during the taking of the inventories at certain locations for the purpose of observing the methods and procedures followed, and in connection therewith made limited test-counts of the quantities on hand.

The number of shares of capital stock and the principal amounts of long-term debt issued and outstanding at December 31, 1941 were confirmed to us directly by the registrars and trustees. We checked the detail records of accounts payable and confirmed the larger payables by direct correspondence with the creditors. The amounts of interest accrued were verified and the tax accruals were reviewed for the purpose of determining that the amounts thereof appeared to be adequate. We are advised by counsel for the Company, with reference to a suit filed by the City of Chicago on January 23, 1942, in the Circuit Court of Cook County, Illinois, to collect from the Company $8,591,600, being 5% of the purported revenue derived from sale of natural gas since 1931, that the suit seems to be based upon an ordinance of 1906; that there is nothing in that ordinance, or in any other ordinance of the City of Chicago, requiring the Company to pay compensation to the City for the period in question, and that, in the opinion of counsel for the Company, there is no foundation for the City's claim. Insofar as we could ascertain from our examination, and as represented to us by the management, all known liabilities of the companies at December 31, 1941 are reflected in the accompanying balance sheets.

The companies follow the practice of providing for depreciation of the various classes of depreciable property at rates computed on the basis of the estimated service lives of the several classes of property. The major changes during 1941 in the depreciation and other reserve accounts were reviewed by us.

In our opinion, the accompanying balance sheets and related statements of income and surplus present fairly the position of the companies at December 31, 1941, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

(Signed) Arthur Andersen & Co.

Chicago, Illinois,
January 27, 1942.

ACCOUNTANTS' CERTIFICATE

To the Stockholders of
Philadelphia Company:

We have examined the balance sheets as of December 31, 1941 and the related summaries of income and surplus for the year ended that date of the following:

Philadelphia Company and subsidiaries

Philadelphia Company

Duquesne Light Company and subsidiary

Duquesne Light Company

Allegheny County Steam Heating Company

Pittsburgh and West Virginia Gas Company and Equitable Gas Company

Kentucky West Virginia Gas Company

Finleyville Oil and Gas Company

Philadelphia Oil Company

Cheswick and Harmar Railroad Company

Equitable Auto Company

Equitable Real Estate Company

Equitable Sales Company

In connection with our examination, we have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

The policies of the companies with respect to appropriations from income for retirements, depletion, and amortization of properties are set forth in Note C to the balance sheets. We are not in a position to express an opinion as to the adequacy of such appropriations or of the resultant reserves.

In our opinion, subject to the remarks in the preceding paragraph relating to appropriations from income for retirements, depletion, and amortization of properties, the accompanying balance sheets and summaries of income and surplus, with their footnotes, fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices, which were applied on a basis consistent with that of the preceding year, except for amortization of debt discount and expense as explained in Note I to the balance sheets.

Haskins & Sells

Pittsburgh,
March 25, 1942.

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO

To the Board of Directors of
Public Service Company of Northern Illinois:

We have examined the balance sheet of PUBLIC SERVICE COMPANY OF NORTHERN ILLINOIS (an Illinois corporation) as of December 31, 1941, and the statements of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We previously had made a similar examination for the year ended December 31, 1940.

In our opinion, the accompanying balance sheets and related statements of income and surplus present fairly the position of Public Service Company of Northern Illinois at December 31, 1941 and 1940, and the results of its operations for the years ended those dates, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

(Signed) ARTHUR ANDERSEN & CO.

Chicago
February 12, 1942

NILES & NILES
CERTIFIED PUBLIC ACCOUNTANTS
165 BROADWAY, NEW YORK

Public Service Corporation of New Jersey,
Newark, N. J.

We have examined the comparative consolidated balance sheet of Public Service Corporation of New Jersey and subsidiary companies as of December 31, 1940, and December 31, 1941, and the related statements of combined results of operations and of consolidated surplus. Also, we have examined the comparative balance sheets as of December 31, 1940, and December 31, 1941, of the individual companies and the consolidated group listed below, and the related statements of income and surplus. In connection therewith, we reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, we examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Prior to January 1, 1938, the allowances for depreciation and retirement expenses were computed under the retirement reserve plan provided in the Uniform Classifications of Accounts prescribed by the Board of Public Utility Commissioners of the State of New Jersey. New Uniform Systems of Accounts which became effective on January 1, 1938, provided for computing depreciation on the basis of loss in service value not restored by current maintenance. The effect of this change has not been determined, and the amounts charged to operating revenue deductions for depreciation and retirement expenses for 1940 and 1941 have been computed on the same basis as those for the year 1937 under the retirement reserve plan. In addition to the amounts charged to operating revenue deductions for depreciation and retirement expenses, appropriations of income have been made for reserves for investments and for special amortization of transportation fixed capital.

In our opinion, based upon our examination, the accompanying comparative consolidated balance sheet and the related statements of combined results of operations and of consolidated surplus of Public Service Corporation of New Jersey and subsidiary companies, present fairly, in conformity with generally accepted principles of accounting applied consistently during the period under review, the financial position of the consolidated group as of December 31, 1940, and December 31, 1941, and the results of its operations for the years ended on those dates. Also, in our opinion, the accompanying comparative balance sheets and related statements of income and surplus of

Public Service Corporation of New Jersey
Public Service Electric and Gas Company
Atlantic City Gas Company
County Gas Company
Peoples Gas Company
Public Service Coordinated Transport and Subsidiary Companies,
Consolidated, and of
Yellow Cab, Inc.

respectively, present fairly, in conformity with generally accepted principles of accounting applied consistently during the period under review, the financial position of those companies as of December 31, 1940, and December 31, 1941, and the results of their operations for the years ended on those dates.

NILES & NILES
Certified Public Accountants.

New York, February 10, 1942.

ACCOUNTANTS' REPORT

LYBRAND, ROSS BROS. & MONTGOMERY
CERTIFIED PUBLIC ACCOUNTANTS

90 BROAD STREET
NEW YORK

To the Board of Directors,
Rochester Gas and Electric Corporation,
Rochester, N. Y.

We have examined the balance sheet of Rochester Gas and Electric Corporation as at December 31, 1941, and the related statements of income and earned surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, subject to the adequacy of the provisions for retirement of property, plant and equipment, the accompanying balance sheet and related statements of income and earned surplus present fairly the position of Rochester Gas and Electric Corporation at December 31, 1941, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, N. Y.

February 26, 1942

ARTHUR ANDERSEN & CO.

Accountants and Auditors

To the Board of Directors,

Southern California Edison Company Ltd.:

We have examined the balance sheet of SOUTHERN CALIFORNIA EDISON COMPANY LTD. (a California corporation) and the consolidated balance sheet of that Company and its subsidiary company (Edison Securities Company) as of December 31, 1941, and the related statements of income and earned surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended December 31, 1940.

Subject to the adjustments which may be required by reason of the matters set forth in Note 1 to the financial statements, in our opinion, the accompanying balance sheets and related statements of income and earned surplus present fairly the position of the companies at December 31, 1941, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

LOS ANGELES, CALIFORNIA, FEBRUARY 9, 1942.

ACCOUNTANTS' CERTIFICATE

STOCKHOLDERS OF STANDARD GAS AND ELECTRIC COMPANY:

We have examined the balance sheet as of December 31, 1941, in which are consolidated the balance sheet (December 31, 1941) of Standard Gas and Electric Company, a Delaware corporation, and the balance sheets (December 31, 1941) of those affiliated companies in which Standard Gas and Electric Company owns more than 50% of the voting stock, and the subsidiaries of such companies, including Louisville Gas and Electric Company (Kentucky) and subsidiaries (see the introductory note to the consolidated balance sheet), and the related statement of consolidated income and earned surplus for the year ended that date, except that Pittsburgh Railways Company, in process of reorganization under Section 77B of the Bankruptcy Act, and subsidiaries and other street railway subsidiaries of Philadelphia Company are not consolidated therein. We have reviewed the accounting procedures of your Company, The California Oregon Power Company, Empresa de Servicios Publicos de los Estados Mexicanos, S. A., Horseshoe Lake Oil and Gas Company, Oklahoma Gas and Electric Company, Philadelphia Company and subsidiaries, Public Utility Engineering and Service Corporation, Southern Colorado Power Company, and Tri-State Land Company, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control. We have been furnished with reports of other accountants on their examinations for the year ended December 31, 1941, of the remaining consolidated companies, namely, Louisville Gas and Electric Company (Delaware) and its subsidiary, Madison Light and Power Company, Louisville Gas and Electric Company (Kentucky) and subsidiaries, and Wisconsin Public Service Corporation and subsidiary, and the figures included in the accompanying financial statements with respect to such companies are based on such reports.

The Uniform Systems of Accounts prescribed for electric, gas and other utilities by the Federal Power Commission or by certain State regulatory commissions, effective January 1, 1937, 1938, 1939, or 1940, require that utility properties be stated at original cost (estimated, if not known) at date first devoted to public use and that the difference between the book value of such properties and such original cost be segregated in separate fixed capital accounts to be depreciated, amortized or otherwise disposed of as the commissions may approve or direct. The systems of accounts also require that depreciation be provided on depreciable utility plant for the loss in service value not restored by current maintenance, whereas most of the companies have followed the retirement basis. Studies by the affiliated companies affected as to the required reclassification of their properties have, in some instances, been completed and filed with the respective commissions, some of which have been recorded in the books of the companies and are subject to approval by the commissions, while others have not been recorded pending such approval. As to other affiliated companies, the studies were in progress at December 31, 1941. Except as stated in Note B to the consolidated balance sheet and pending completion and approval of such studies, it will not be known to what extent the changes in accounting practices may affect the companies' accounts.

In our opinion, based upon our examination and upon the reports of other accountants with respect to certain companies named herein, and subject to the foregoing comments relating to appropriations for retirements or depreciation (see also consolidated balance sheet Note E), and to the amount of commissions and expenses of a subsidiary applicable to preferred stock cancelled, which is indeterminable (see consolidated balance sheet Note D), the accompanying consolidated balance sheet and statement of consolidated income and earned surplus, with their notes, fairly present the consolidated financial condition of the companies at December 31, 1941 and the consolidated results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year, except for amortization of debt discount and expense by a subsidiary as explained in Note D to the consolidated balance sheet.

Chicago, April 23, 1942. HASKINS & SELLS.

REPORT OF ACCOUNTANTS

LYBRAND, ROSS BROS. & MONTGOMERY
Certified Public Accountants
90 Broad Street
New York

To the Board of Directors of Stone & Webster, Incorporated:

We have examined the balance sheet of STONE & WEBSTER, INCORPORATED and the consolidated balance sheet of that corporation and its subsidiaries as at December 31, 1941, and the related statements of income and surplus for the year then ended; have reviewed the system of internal control and the accounting procedures of the corporations and, without making a detailed audit of the transactions, have examined or tested accounting records of the corporations and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and surplus of the parent corporation, and consolidated balance sheet and related consolidated statements of income and surplus of the parent corporation and its subsidiaries, present fairly the position at December 31, 1941 and the results of operations for the year 1941 of Stone & Webster, Incorporated and of the affiliated group, respectively, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY.

New York, February 17, 1942

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

Accountants' Certificate

UNITED GAS CORPORATION,
2 Rector Street,
New York.

We have examined the balance sheet of United Gas Corporation and the consolidated balance sheet of United Gas Corporation and subsidiaries as of December 31, 1941 and the related statements of income for the three-month and twelve-month periods ended December 31, 1941 and 1940 and summaries of surplus for the twelve months ended December 31, 1941, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control. We have previously made similar examinations of accounting records of United Gas Corporation from the date of incorporation, March 29, 1930 to December 31, 1940, and of the accounting records of its subsidiaries for varying consecutive prior periods subsequent to January 1, 1930.

The general practice of the companies is (1) to make such appropriations to property retirement and depletion reserves from current income as are considered by the management necessary to provide for retirements (including lease abandonments and the cost of dry holes and non-productive exploratory drilling) when they occur rather than on the basis of estimated useful lives of the individual units of depreciable property or sustained depletion of gas and oil reserves, (2) to account for gas and oil lease costs, renewals, and rentals by charges therefor to fixed capital and thence, upon surrender or abandonment, to property retirement and depletion reserves rather than by amortization of costs and renewals over the terms of the leases and by direct charges to operations for rentals, and (3) to charge the cost of dry holes and non-productive exploratory drilling to the retirement and depletion reserves rather than direct to operations.

In our opinion, subject to the adequacy of the companies' property retirement and depletion reserve appropriations and to the related effect of the accounting practices set forth in the preceding paragraph, as to which we are not in a position to express an opinion, the accompanying balance sheets and statements of income and surplus, with the notes to financial statements, fairly present the financial condition of the companies at December 31, 1941 and the results of their operations for the periods shown by the respective statements, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

Haskins & Sells

Certified Public Accountants.

New York,
April 1, 1942.

LYBRAND, ROSS BROS. & MONTGOMERY
CERTIFIED PUBLIC ACCOUNTANTS
PACKARD BUILDING
PHILADELPHIA

RESIDENT PARTNERS
T. EDWARD ROSS
JOSEPH M. PUGH
JOHN HOOD, JR.
GEORGE R. DRABENSTADT
A. KARL FISCHER
CLARENCE R. HAAS
HARRY H. STEINMEYER
CARL H. ZIPF

NEW YORK
PHILADELPHIA
CHICAGO
BOSTON
BALTIMORE
WASHINGTON
PITTSBURGH
DETROIT
CLEVELAND
CINCINNATI
ROCKFORD
LOUISVILLE

ST. LOUIS
ATLANTA
DALLAS
HOUSTON
SAN FRANCISCO
LOS ANGELES
SEATTLE

LONDON

TO THE STOCKHOLDERS OF THE UNITED GAS IMPROVEMENT COMPANY:

We have examined the balance sheet of The United Gas Improvement Company as of December 31, 1941, and the statements of income and surplus for the year then ended and the consolidated balance sheet of The United Gas Improvement Company and subsidiary companies as of December 31, 1941, and the statements of combined earnings and consolidated surplus for the year then ended (see note 1 to consolidated balance sheet). In connection with our examinations, we reviewed the systems of internal control and the accounting procedures of the companies and, without making detailed audits of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examinations were made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. The securities owned and the cash at December 31, 1941, were verified by inspection or confirmation received from the depositories.

Most of the subsidiary companies of The United Gas Improvement Company, in their accounts and financial statements, follow the retirement-reserve method of providing for property to be retired from service, as is more fully set forth in note 9 to consolidated balance sheet, which note is herein incorporated by reference. The amounts so charged annually by the companies against income and credited to reserves for depreciation, renewals and replacements, we are informed, are estimated by the managements to be sufficient provision to cover losses incident to the retirement of plant and equipment, including intangibles, are not necessarily uniform in amount from year to year and in some instances are less than the amounts deducted for depreciation by the companies in computing their accruals for Federal income and excess profits taxes (see note 5 to combined earnings statement).

In our opinion, subject to the explanations in the preceding paragraph, the accompanying balance sheets and related statements of earnings and surplus, on the basis of carrying investments at cost or less, present fairly (1) the position of The United Gas Improvement Company at December 31, 1941, and the results of its operations for the year then ended, (2) the consolidated position of The United Gas Improvement Company and subsidiary companies at December 31, 1941, and the combined and consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY.

PHILADELPHIA, PENNA.
March 16, 1942.

ARTHUR ANDERSEN & CO.
120 SOUTH LA SALLE STREET
CHICAGO

To the Board of Directors,
The United Light and Power Company:

We have examined the balance sheet of THE UNITED LIGHT AND POWER COMPANY (a Maryland corporation), the consolidated balance sheet of THE UNITED LIGHT AND RAILWAYS COMPANY (a subsidiary holding company) and its subsidiaries and the combined balance sheet of the directly owned operating subsidiaries of THE UNITED LIGHT AND POWER COMPANY as of December 31, 1941 and the related statements of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended December 31, 1940.

Pursuant to an order of the Securities and Exchange Commission entered March 20, 1941 under Section 11(b) (2) of the Public Utility Holding Company Act of 1935, THE UNITED LIGHT AND POWER COMPANY is in the process of liquidation and dissolution.

Certain subsidiaries of the company have investments in The Detroit Edison Company and International Paper Company aggregating $51,299,977 which is $27,495,719 in excess of the quoted market value thereof at December 31, 1941. Approximately $14,047,000 of this excess is applicable to the minority interest in the American Light & Traction Company group and approximately $13,449,000 is applicable to the interest owned by THE UNITED LIGHT AND POWER COMPANY. No provisions have been made in the accompanying statements for this excess or for possible permanent decreases in the value of certain investments of subholding companies in their subsidiary companies which have not been determined.

No disposition has been made of the unamortized discount and expense of $1,498,171.44 applicable to the debentures of THE UNITED LIGHT AND POWER COMPANY which become due and payable on May 1, 1942 in accordance with orders of the Securities and Exchange Commission.

Subject to the effect of the factors in the three preceding paragraphs, in our opinion, the accompanying balance sheets and related statements of income and surplus present fairly the position of the companies at December 31, 1941, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
March 10, 1942.

Accountants' Report

Western Massachusetts Companies:

We have made an examination of the consolidated balance sheet of Western Massachusetts Companies and its Constituent Companies as at December 31, 1941 and of the consolidated earnings statement for the year 1941.

In connection therewith, we examined or tested, in a manner and to the extent which we considered adequate, the accounting records of all of the companies and other supporting evidence and we obtained information and explanations from their officers and employees. We also made a general review of the accounting methods and of the operating and income accounts for the year.

The provisions made by constituent companies for exhaustion and retirement of their depreciable physical properties have been made through appropriations from earnings, on the basis of requirements for current retirements and the building up of reserves against future retirements to the extent that their directors have deemed proper and necessary in accordance with the best knowledge and experience of the management. Such provisions are not intended to measure depreciation on the basis of the estimated life of depreciable assets.

The securities representing investments of Western Massachusetts Companies in common stocks (other than Western Massachusetts Agency, Inc.) and notes receivable from constituent companies (eliminated upon consolidation) were pledged as collateral for the Secured Notes, due September 1, 1955.

In our opinion, on the foregoing basis, the accompanying consolidated balance sheet and related consolidated earnings statement, fairly present the consolidated position of the companies at December 31, 1941 and the consolidated result of operations for the year then ended.

BARROW, WADE, GUTHRIE & CO.

Boston, January 19, 1942

PRICE, WATERHOUSE & CO.

56 PINE STREET

NEW YORK, March 14, 1942

TO THE BOARD OF DIRECTORS OF
THE WEST PENN ELECTRIC COMPANY:

We have examined the balance sheet of The West Penn Electric Company, the parent company, as of November 30, 1941, and the related statements of income and earned surplus for the twelve months then ended. We have also examined the consolidated balance sheet of The West Penn Electric Company and subsidiary companies, as of December 31, 1941, and the related consolidated statements of income and surplus for the twelve months ended on that date. In connection with our examination, we reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

As stated in the notes to the consolidated financial statements, the companies operate under the regulatory authority of various State and Federal Commissions. The extent to which the accounts of the companies may be affected by regulatory action on the matters referred to in Notes A and F to the consolidated financial statements is not determinable at present.

In our opinion, subject to the reservation in the preceding paragraph, the accompanying balance sheets and related statements of income and surplus present fairly the position of The West Penn Electric Company at November 30, 1941, and the results of its operations for the twelve months ended on that date, and the position of that company and its consolidated subsidiary companies at December 31, 1941, and the results of their operations for the twelve months ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

22 EAST 40TH STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

CONSOLIDATED LAUNDRIES CORPORATION:

We have examined the consolidated balance sheets of Consolidated Laundries Corporation, a Maryland corporation, and its subsidiary companies as of December 31, 1941 and 1940 and the related statements of consolidated income and earned surplus for the years ended those dates, have reviewed the accounting procedures of the companies and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control. Our examination of inventories included physical tests of quantities.

In our opinion, the accompanying consolidated balance sheets and related statements of consolidated income and earned surplus fairly present the financial condition of Consolidated Laundries Corporation and its subsidiary companies at December 31, 1941 and 1940 and the results of their operations for the years ended those dates, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS.

February 17, 1942.

CONSOLIDATED LAUNDRIES CORPORATION

AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED INCOME AND EARNED SURPLUS

For the Years Ended December 31, 1941 and 1940

	Year Ended December 31, 1941	1940
Net sales	$7,716,992.83	$7,329,679.28
Cost of sales, including selling and administrative expenses	7,314,040.70	6,899,818.24
Profit from operations before depreciation	$ 402,952.13	$ 429,861.04
Depreciation	314,904.55	329,074.80
Profit from operations	$ 88,047.58	$ 100,786.24
Other income	51,087.33	38,646.36
Gross profit	$ 139,134.91	$ 139,432.60
Income charges:		
Interest	$ 28,588.25	$ 32,633.59
Other	—	4,011.75
Total	$ 28,588.25	$ 36,645.34
Net profit before provision for Federal income taxes	$ 110,546.66	$ 102,787.26
Federal income taxes (no liability incurred for excess profits taxes)	11,039.01	3,954.84
NET PROFIT FOR THE YEAR	$ 99,507.65	$ 98,832.42
Earned Surplus at beginning of the year	1,523,889.62	1,477,957.62
Total	$1,623,397.27	$1,576,790.04
Surplus Charges:		
Preferred Stock dividends declared	$ 26,147.65	$ 26,147.88
Loss on sale of land of discontinued plant	8,488.38	—
Write-off of route services purchased during the year	19,839.40	—
Additional taxes applicable to prior years	—	10,246.21
Transferred to reserve for workmen's compensation insurance	—	16,506.33
Total	$ 54,475.43	$ 52,900.42
Earned Surplus at end of the year	$1,568,921.84	$1,523,889.62

Note: No provision has been made for proposed assessments of additional taxes applicable to prior years aggregating approximately $55,000.00 which are being contested by the Company.

CONSOLIDATED LAUNDRIES CORPORATION

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

December 31, 1941 and 1940

ASSETS

	December 31, 1941	December 31, 1940
CURRENT ASSETS:		
Cash on hand and in banks	$ 232,564.11	$ 336,400.40
Notes and accounts receivable (*Less* reserves for doubtful notes and accounts, 1941—$50,785.63; 1940—$60,667.30)	349,016.26	321,689.67
Inventories—at lower of cost (determined on first-in, first-out basis) or replacement market	1,575,246.68	1,253,413.25
TOTAL CURRENT ASSETS	$2,156,827.05	$1,911,503.32
LONG-TERM ASSETS:		
Mortgages, notes, and accounts receivable (*Less* reserves, 1941—$3,605.82; 1940—$4,565.82)	$ 26,646.98	$ 49,411.56
United States and municipal bonds on deposit with State of New York Department of Labor—At cost (registered)	77,816.56	77,816.56
Miscellaneous (*Less* reserves, 1941 and 1940—$15,306.26)	11,560.31	10,343.73
TOTAL LONG-TERM ASSETS	$ 116,023.85	$ 137,571.85
FIXED ASSETS:		
Land, buildings, machinery, delivery equipment, and cabinets (*Less* reserves for depreciation, 1941—$5,788,105.65; 1940—$5,557,264.02)	$3,652,595.26	$3,643,169.47
DEFERRED CHARGES—Prepaid expenses	$ 63,699.19	$ 75,972.28
GOODWILL	$ 1.00	$ 1.00
TOTAL ASSETS	$5,989,146.35	$5,768,217.92

CONSOLIDATED LAUNDRIES CORPORATION

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

December 31, 1941 and 1940

LIABILITIES AND CAPITAL

	December 31, 1941	December 31, 1940
CURRENT LIABILITIES:		
Notes payable	$ —	$ 100,000.00
Accounts payable	365,583.55	147,941.17
Accrued interest, wages, social security taxes, etc.	189,089.69	155,294.52
Salesmen's and other deposits	64,620.93	64,186.31
Purchase money mortgage payments due within one year	111,550.00	28,550.00
Federal income taxes	11,039.01	3,954.84
Preferred Stock dividend payable February 1, 1942 and 1941, respectively	6,536.92	6,536.97
TOTAL CURRENT LIABILITIES	$ 748,420.10	$ 506,463.81
PURCHASE MONEY MORTGAGE PAYMENTS DUE AFTER ONE YEAR	$ 474,737.50	$ 513,787.50
RESERVES:		
Workmen's compensation insurance	$ 75,000.00	$ 75,000.00
Other	44,940.32	39,088.08
TOTAL RESERVES	$ 119,940.32	$ 114,088.08
CAPITAL STOCK AND SURPLUS:		
Preferred Stock, $7.50 Cumulative, Sinking Fund—No Par Value; declared value $100.00 a share (Authorized, 23,767 shares; outstanding, 3,486 shares)	$ 348,600.00	$ 348,600.00
Common Stock, Par Value $5.00 a share (Authorized, 1,000,000 shares; issued, 400,000 shares)	2,000,000.00	2,000,000.00
TOTAL CAPITAL STOCK	$2,348,600.00	$2,348,600.00
Capital Surplus arising from reduction of Common Stock to Par Value of $5.00 a share	$ 854,401.21	$ 854,401.21
Earned Surplus	1,568,921.84	1,523,889.62
TOTAL SURPLUS	$2,423,323.05	$2,378,290.83
Less cost of shares of Common Stock held in treasury—1941, 25,000 shares; 1940, 11,432 shares	125,874.62	93,012.30
REMAINDER	$2,297,448.43	$2,285,278.53
TOTAL CAPITAL STOCK AND SURPLUS	$4,646,048.43	$4,633,878.53
TOTAL LIABILITIES AND CAPITAL	$5,989,146.35	$5,768,217.92

NOTE: No provision has been made for proposed assessments of additional taxes applicable to prior years aggregating approximately $55,000.00 which are being contested by the Company.

NEW YORK SHIPBUIL

BALANCE SHEET –

ASSETS

Current Assets:			
Cash		$8,989,896.59	
Marketable securities:			
12,800 shares Allis Chalmers Manufacturing Company—at cost (quoted market value $361,600.00)		307,200.00	
Accounts receivable:			
U. S. Government—on facilities and ship contracts	$1,982,751.81		
Other (after reserve of $4,627.32 for doubtful)	255,481.76	2,238,233.57	
Contracts in process (Note A)		6,982,759.52	
Materials and supplies at lower of cost or market		527,472.58	$19,045,562.26
Subsidiary Company:			
New York Shipbuilding Company (inac ive)—100% of capital stock			5,000.00
Property, Plant and Equipment:			
North Yard:			
Land and buildings at independently appraised values at October 1, 1932, plus subsequent expenditures, less reserve of $2,442,022.76 for depreciation		$3,129,880.94	
Machinery and equipment—book value after reserves of $3,596,212.21 for depreciation and $2,338,335.94 for 1932 write-down		1,733,691.28	
		$4,863,572.22	
South Yard:			
Land, buildings, machinery and equipment—written down book value net		845,283.60	5,708,855.82
Good Will and Patents:			1.00
Deferred Charges:			
Unexpired insurance premiums and prepaid expenses			107,997.85
			$24,867,416.93

Notes referred to above wi

DING CORPORATION

DECEMBER 31, 1941

LIABILITIES

Current Liabilities:				
Accounts payable—trade, etc.		$4,974,687.97		
Accrued pay roll		1,766,654.14		
Accrued social security and capital stock taxes		738,494.29		
Compensation awards and claims—estimated liability		119,699.87		
Contract collections against future costs		4,916,336.52		
Federal taxes on income—estimated (Note B)		4,086,590.43		$16,602,463.22
Capital Stock and Surplus:				
Capital Stock:				
Participating, par value $1.00 per share: Authorized 1,000,000 shares; outstanding 325,000 shares after deducting 19,500 shares in treasury		$ 325,000.00		
Founders, par value $1.00 per share: Authorized 212,830 shares; outstanding 175,000 shares, after deducting 10,500 shares in treasury		175,000.00		
		$ 500,000.00		
Surplus (including $30,000.00 applied to repurchase of capital stock in treasury):				
Capital	$4,929,451.63			
Earned (since January 1, 1933)	2,835,502.08	7,764,953.71		8,264,953.71

Contingent Liability:

Suit against the Company and others, alleging breach of contract through sale in 1935 of stock of a former subsidiary, was dismissed by the Supreme Court of the State of New York, whose decision was affirmed by the Appellate Division on May 9, 1941. Plaintiff has appealed to the Court of Appeals of the State of New York, but in the opinion of counsel, the decision of the lower courts will be sustained.

	$24,867,416.93

'l be found on page seven.

NEW YORK SHIPBUILDING CORPORATION

STATEMENT OF PROFIT AND LOSS AND SURPLUS

Year ended December 31, 1941

GROSS BILLINGS (substantially all on account of U. S. Navy contracts):		
Billings during year on ship and other contracts	$ 97,733,805.68	
Add contract collections in 1940 against costs thereafter	2,272,985.63	
	$100,006,791.31	
Less contract collections in 1941 against future costs	4,916,336.52	$95,090,454.79
COST OF BILLINGS:		
Balance sheet amount for contracts in process at January 1, 1941	$ 5,772,474.81	
Labor, material and overhead costs	86,560,351.92	
	$ 92,332,826.73	
Less balance sheet amount for contracts in process at December 31, 1941	6,982,759.52	85,350,067.21
		$ 9,740,387.58
ADMINISTRATIVE AND GENERAL EXPENSES		2,133,787.50
OPERATING PROFIT		$ 7,606,600.08
OTHER INCOME:		
Cash discounts earned	$ 207,327.65	
Dividends received	18,909.02	226,236.67
		$ 7,832,836.75
OTHER DEDUCTIONS:		
Interest on funded debt	$ 104,445.84	
Other interest	73,970.50	
Premium on bonds called	65,322.50	
Loss on capital assets sold or scrapped	9,564.67	253,303.51
PROFIT BEFORE TAXES ON INCOME		$ 7,579,533.24
Taxes on income—estimated (Note B):		
Federal normal income tax and surtax	$ 1,390,000.00	
Federal excess profits tax	3,115,000.00	4,505,000.00
NET PROFIT		$ 3,074,533.24
Earned surplus—Balance December 31, 1940		1,260,968.84
		$ 4,335,502.08
Surplus charges:		
Cash dividends declared:		
Participating stock ($3.00 per share)	$ 975,000.00	
Founders stock ($3.00 per share)	525,000.00	1,500,000.00
Earned surplus—Balance December 31, 1941		$ 2,835,502.08
Capital surplus (no change during the year)		4,929,451.63
Surplus—Balance December 31, 1941		$ 7,764,953.71

Provision for depreciation included in overhead costs—$359,277.18

Note referred to above will be found on page seven.

Board of Directors,
New York Shipbuilding Corporation,
Camden, N. J.

We have examined the balance sheet of the NEW YORK SHIPBUILDING CORPORATION as of December 31, 1941 and the statement of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statement of profit and loss and surplus present fairly the position of the NEW YORK SHIPBUILDING CORPORATION at December 31, 1941, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST,
Certified Public Accountants.

Philadelphia, Pa.
February 13, 1942.

Notes to Financial Statements

December 31, 1941

Note A—The amount for contracts in process is the accumulated cost, plus the portion (based on percentage of completion) of estimated final gross profit, less billings (exclusive of collections against future costs); except that in accordance with a policy of not taking into income any profit on contracts unless (a) progress thereon has reached a point, generally, of not less than 50 per cent of completion, and (b) experience is deemed sufficient to establish estimates as reasonably indicative of final results, no recognition has been taken of possible profit on work, which, though substantially advanced, had not reached such a stage of completion. At December 31, 1941, accumulated billings on contracts, in respect of which no net profit has been taken up into income by reason of such policy, amounted to $26,493,227.51. All estimates of final contract profits as of the close of any period are subject to revision as contracts progress toward completion. The amount of gross profit taken up in any accounting period in respect of any contract is the amount accrued to the date of closing of such period less the total of amounts taken up in prior periods.

Note B—The provision for taxes on income in the statement of profit and loss has been computed on the contract profits taken up for accounting purposes (Note A above). For federal income and excess profits tax purposes, estimated contract profits are allocated to each taxable year included in the construction period. Taxes as paid are charged against the accumulated tax reserve.